

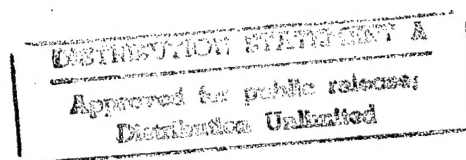
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29 APRIL 1986

# China Report

ECONOMIC AFFAIRS



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29 APRIL 1986

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## NATIONAL POLICY AND ISSUES

### IMPORTANCE TO RURAL ORGANIZATION OF TOWNSHIP ENTERPRISES CITED

Beijing NONGCUN GONGZUO TONGXUN [RURAL WORK NEWSLETTER] in Chinese No 8,  
5 Aug 85 pp 3-4

[Commentary: "Developing Township and Town Enterprises Is a Matter of Overall Importance"]

[Text] The year 1984 was one of great development for township and town enterprises that was manifested specifically in the following ways:

First was high speed growth. In 1984, the gross output value of township and town enterprises reached 170.9 billion yuan in a 40 percent growth from the previous year. During the same year, the gross output value of industry and agriculture for the country as a whole increased 120 billion yuan. This included a net growth of nearly 28.7 billion yuan for township and town enterprises, or 24 percent of the total net increase. This is to say that township and town enterprises have become a major component and a dynamic force in the development of China's rural economy. This is even more the case in economically developed areas.

Second, the mix of township and town enterprises gradually tended to become more rational. In 1984 following institution of contract systems linked to output, during the first year when peasants began to take the initiative in large scale readjustment of the make-up of rural industries, tertiary industries developed quickly. Statistics from departments concerned show that during 1984 among cooperative enterprises at the township and village levels alone, the number of enterprises engaged in secondary industries increased 22.5 percent, and the number of enterprises engaged in tertiary industries increased 52.4 percent.

Third has been a momentum toward development of enterprises at many levels. Enthusiasm for cooperative operation of various kinds of enterprises by households and combinations of households has reached unprecedented heights resulting in a momentum for the formation of a township and rural cooperative economic organization (formerly commune, production brigades and production teams) to operate cooperative enterprises and some peasant joint enterprises and family industrial plants at several levels. Statistics show the gross output value of cooperative township enterprises in 1984 to have increased 17.89 billion yuan, a 33.7 percent increase. The gross output value of rural

cooperative enterprises increased 16.07 billion yuan, a 40.4 percent increase. Jointly operated enterprises in which the peasants have pooled funds or family operated enterprises had a 14.9 billion yuan increase in gross output value for a 51 percent increase.

Development of township and town enterprises in 1984 was realized through the direct impetus provided by Central Committee documents numbers 1 and 4 of the previous year. This development was in keeping with readjustments to the make-up of rural industry and the need for rural industries to spread toward rural villages. It was also in keeping with the need to find jobs for the large surplus rural labor force, and it was in keeping with society's demand for constant growth and the requirements of markets. These were objective reasons for the development of township and town enterprises that should be fully appreciated.

To be sure, certain problems requiring solution also appeared in the process of development of township and town enterprises. For example, some areas and some trades grew too fiercely, outstripping the ability of the corresponding economy and resources to support them. There was blindness in action in the development of some enterprises, and in some places a problem of rushing headlong into action existed that led to a waste of social wealth and proportional imbalances. There were genuinely inequitable elements in the structure such as a relative large number of enterprises devoted to processing while enterprises that thoroughly processed agricultural and sideline products were relatively few. There was a fairly general spread of pollution, insufficiently vigorous action to prevent and control it, takeovers of arable land etc.

Some of the problems and difficulties that occurred as the price of progress in the swift and violent growth of township and town enterprises under new circumstances were subjected to criticism for a time only to rise again. In addition to repeating the previous criticisms such as "the small crowding out the large," "the antiquated crowding out the advanced," and "giving rise to unhealthy tendencies," there were new criticism as well. Examples were that the high speed growth of township and town enterprises had been the primary reason for credit inflation, and the main reason for the severe shortage of raw and processed materials and energy.

It cannot be denied that the too rapid development of township and town enterprises had been an element in the loss of control of credit. Statistics from the Bank of Agriculture show that credit funds outstanding for rural and small town enterprises in 1984 as totaling 29.2 billion yuan while township and town enterprise's savings for the same period stood at 11.6 billion yuan and savings of staff members and workers in township and town enterprises kept in banks and credit cooperatives totaled 18 billion yuan. These two kinds of savings totaled 29.6 billion yuan or 101.4 percent of the amount of loans. This was a great change compared with the previous large outflow to cities of rural funds. Such a change was also unavoidable as the rural economy developed. All that could be done was to apply economic laws to gain overall control. In 1984 township and town enterprise investment in capital construction totaled 15.56 billion yuan. This included 6.1 billion yuan of township and town enterprises' profits used for the expansion of

reproduction, plus 3 billion yuan of funds put up by peasants, the proportion of self-supplied funds being 58.5 percent. This was higher than the rate of self-supplied funds for capital construction in most state-owned enterprises.

It should be also pointed out that the too swift and violent growth of gross demand that took place in China's economic life during 1984 was a market actuator for high speed growth of township and town enterprises. One certainly cannot say, however, that the inflation of gross demand was stimulated by township and town enterprises. The shortage of raw and processed materials and energy for the country's capital construction remains an undeniable fundamental fact, while the rapid development of township and town enterprises only reveals these shortages more conspicuously and, to a certain extent, it changes the traditional modes of distribution of raw and processed materials and energy, the portion distributed through markets thereby increasing fairly rapidly. As a result of the strong demand of rural and small town enterprises, prices of various raw and processed materials and of energy rose. But this was only one part of the situation. One must also realize that these fairly high prices also played a role in stimulating increases in supply. Of even greater importance was that simultaneous with rural and small town enterprises having taken away raw and process materials and energy, they provided goods in such large amounts to all of society. Just think, were it not for the nearly 100 billion yuan worth of goods produced by township and town enterprises what would the situation have been like? Doubtlessly, shortages would have been much worse. Statistics from departments concerned show that during 1984 civilian construction materials produced by township and town enterprises accounted for 70 percent of the whole country's gross output of all such products, for 24.7 percent of textiles, for 40 percent of clothing, for 43 percent of triolite, for 4.5 billion kwh of electricity and for 202.21 million tons of raw coal, which when converted to standard energy units was 44 percent greater than the total energy consumed by township and town enterprises.

In an overall sense, the great development of township and town enterprises was paramount in the improvement in China's economic condition, and the new problems and new contradictions that it brought in its wake were secondary and surmountable.

The development of township and town enterprises confronts new tests. Nevertheless, if the foregoing problems are to be genuinely solved, a fairly overall, fairly suitable criticism of township and town enterprises will have to be made first of all with no blind placing of blame.

The fact is that the development of township and town enterprises has produced overall problems involving macroeconomics that must be dealt with on the strategic plane.

First, township and town enterprises have become important parts of China's existing productivity, and are major forces for the multiplication of the national economy. In 1984, the gross output value of township and town enterprises was greater than the gross output value of Chinese society in 1957, and its industrial production capacity was greater than the production

capacity of all industry in China in 1964. This is a tremendous economic force that no one should take lightly.

Second, development of township and town enterprises has become a major ingredient in the structure of rural industry and a huge magnet for the transfer of the rural labor force. If traditional agriculture had to be depended on to make peasants rich, agricultural modernization would be impossible. Solution to the problem of getting food for 800 million peasants and transferring countless millions of peasants to pursuits other than tilling the soil requires development of commodity production so that the division of labor and exchange throughout the society develops. It is precisely these countless millions of rural and town enterprises that are newly developed rural economic cells totally dedicated to commodity production and that have astounding vitality that will inject into rural villages a generation of industrial literacy and industrial methods of production, will dramatically expand the social division of labor, will change the structure of rural industry, and will use up large amounts of surplus rural labor.

Third, township and town enterprises have opened new avenues for the development of uniquely Chinese industrialization and cities. The modernization of a country lies in industrialization first of all. Europe, the Americas, Japan, and the USSR all relied on cities to produce a basic pattern of development of cities and industry, rural villages and agriculture. After several decades or even several hundred years of effort, industrialization and modernization took place, and the rural population shifted to cities and to new industries. As a result of China's special circumstances of a fairly large proportion of peasants and extraordinarily antiquated commodity production, for China's industrial development to rely solely on cities would be far from enough. Since the 3d Plenum of the 11th CPC Central Committee, the broad development of rural social productivity in the wake of rural reforms has expanded people's field of vision. The sudden rise of rural industry symbolized by township and town enterprises and the large numbers of rural market towns that have been built have changed traditional patterns of development with the result that China's industrialization and the path of urban development have a new substance and new impetus. This is already extraordinarily evident. One might say that development of township and town enterprises has been the main avenue on which 800 million peasants have come to participate in the historically inevitable march toward industrialization of the country, the urbanization of rural villages, and the modernization of agriculture.

Whether readjustment of the structure of rural industry could have been done without the development of township and town enterprises is an overall strategic question. Only when one handles the issue of the development of township and town enterprises from this angle can it be handled better thereby avoiding possible mistakes.

In summary, we must have a correct and comprehensive view of the totality of township and town enterprises, and we must affirm their development and role. Certainly development of township and town enterprises was a little too fast in 1984; nevertheless, the somewhat overly rapid development in some places cannot be allowed to shake this strategic deployment. Specific

situations should be handled in specific ways. Places that are going too fast should advance steadily and devote attention to active consolidation and solving some existing problems. Places that have just begun to develop should continue to develop. Depending on circumstances, this may entail halts, retrenchments, or development. It is particularly important in the course of development to make sure that industrial policies are made. Speed should be guided by rational industrial policies to avoid blindness in action. It is also necessary to get control of balance in the supply of energy, in the supply of raw materials, and market needs. More service industries to provide services before and after production should be encouraged in the future, township and town enterprises and breeding industries being more closely linked thereby providing each other with conditions for development and promoting steady development for both.

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ECONOMIC MANAGEMENT

FUJIAN GOVERNOR REPORTS ON 1986 ECONOMIC TASKS

OW180925 Fuzhou FUJIAN RIBAO in Chinese 8 Mar 86 p 1

[Text] Xiamen, 7 Mar (FUJIAN RIBAO)--As the keynote of his report at a provincial meeting of commissioners and mayors, Governor Hu Ping emphatically called for "further implementing the principle of carrying out reform, opening to the outside world, and invigorating the economy; acquiring a better understanding of and shoring up one's confidence in the prevailing situation; seeking practical results; and making concerted efforts to raise Fujian's economic work to a new level."

In his report, Governor Hu Ping said that the guiding ideology for Fujian's economic tasks this year should be: Under the principle of carrying out reform, opening to the outside world, and invigorating the economy, efforts should be made to achieve a breakthrough in the central task of improving economic efficiency; ensure success in the two important tasks of improving product quality and management; properly handle the three relationships between the development of productive forces and the improvement of business management, between macroeconomic control and microeconomic activity, and between the interests of coastal regions and those of mountain areas; and concentrate on the four tasks of strengthening weak links in the national economy, enhancing Fujian's ability to earn foreign exchange through exports, strengthening Fujian's economic development, and stepping up the development of intellectual resources and the building of a spiritual civilization. The central tasks for governments at all levels in Fujian this year are: Making further efforts in economic construction and reform; continuing to be attentive in striking a basic balance between overall demand and supply in society; ensuring a steady and balanced economic development; and building a backup force for the implementation of the Seventh 5-Year Plan. Specific requirements are: It is necessary to considerably improve economic efficiency; maintain a proper economic growth rate; guarantee the construction of infrastructure and key projects; vigorously develop a commodity economy in rural areas; attain new levels in industrial technical progress and business management; make new headway in exports in foreign trade; invest more in developing intellectual resources; and keep raising the people's living standards. In addition, it is essential to do a good job in building a socialist spiritual civilization along with our economic work.

Comrade Hu Ping noted: In accordance with the central authorities' arrangements for this year's reform, Fujian should actively consolidate, digest, supplement, and improve the reform measures that were initiated last year. No major steps will be taken to reform the pricing policy this year. Instead, emphasis will be placed on stepping up price control to ensure a fundamental and relative stability in commodity prices. More efforts should be made to tighten and improve macroeconomic control while continuing to stimulate micro-economic activity. We should continue to strictly control the scale of investment in fixed assets, readjust the investment structure, step up the construction of key projects, and boost investment returns. Continuing efforts should be made to streamline the administrative apparatus and relegate power, enlarge the autonomy and lessen the burdens of enterprises, and develop horizontal economic links. Proper arrangements should be developed to handle consumption funds, especially to control excessive growth in some areas and make reasonable increases in others. It is necessary to ensure continuing improvement in the livelihood of most people, increase financial revenues at all levels, unremittingly keep expenditures within the limits of income to avoid deficits, and intensify management of the use of foreign exchange to increase the utilization efficiency.

Addressing another issue in his report, Comrade Hu Ping called for "actively, surely, and thoroughly readjusting the production structure and promoting a commodity economy in rural areas". He said: Fujian should plan its rural work in accordance with the central authorities' arrangements in this regard. Under the premise of meeting the planned grain production requirements, we should continue to thoroughly readjust the rural production structure, energetically develop a rural commodity economy, actively develop village and town enterprises, and strengthen guidance and management. We should also make further efforts to learn from southern Jiangsu's experience in vigorously developing key village and town enterprises, draw on Wenzhou's experience in promoting the household industry, exploit the advantages afforded by Fujian's returned overseas Chinese districts in actively establishing enterprises with overseas Chinese investment and cooperation, raise our incomes, and improve the conditions for agricultural production.

Comrade Hu Ping dwelled on the subjects of exploiting the advantages afforded by Fujian's large numbers of overseas Chinese and of striving to create a new situation in foreign economic work. He stated: It is necessary to integrate foreign economic work with overseas Chinese affairs. In order to provide efficient services to overseas Chinese who return to invest, concerned departments should join forces to form a multifunctional organization capable of providing guidance, coordinating efforts, offering consultant services, and making contacts in connection with the various projects. In developing foreign economic cooperation, priority should be given to cooperation with overseas Chinese and Hong Kong and Macao compatriots if the conditions are the same. It is necessary to further implement the preferential policies toward overseas Chinese and Hong Kong and Macao compatriots; pay equal attention to earning foreign exchange through exports and properly administering foreign exchange; assign the task of earning foreign exchange in excess of planned targets to enterprises so that units that earn more



foreign exchange can retain more of their earnings; combine our effort to attract foreign capital with that in guiding and managing enterprises with foreign and overseas Chinese investments as well as investments from Hong Kong and Macao compatriots; and vigorously develop tourism to boost foreign exchange incomes.

Comrade Hu Ping emphatically said: In building the economy, it is necessary to tackle the central link of ideological education and make thoroughgoing efforts to build a socialist spiritual civilization. Government organs at all levels should play exemplary roles in building a spiritual civilization. Family planning should be incorporated into the work of building a spiritual civilization. He noted: It is necessary to more realistically appraise this year's economic situation, and strive to perform our economic tasks more solidly, steadily, and efficiently.

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ECONOMIC MANAGEMENT

OFFICIAL COMMENTS ON REFORM OF ECONOMIC DEPARTMENT

HK120650 Beijing CHINA DAILY in English 12 Apr 86 p 4

[Article by Zhang Ziaogang]

[Text] China is experimenting with reform of the functions of government economic departments in a number of medium-sized cities this year, CHINA DAILY was told by the State Commission for Restructuring the Economic System.

This is a very significant move, along with the reforms of the market for producer goods and finance, Tong Dalin, one of the deputy ministers of the commission declared.

The only exception among all ministerial organizations in the Chinese Government, the commission is under the direct leadership of the premier.

In his report to the current National People's Congress on reforms and development in the next five years, the premier placed special emphasis on the issue.

He called on the nation to better understand the change in government department's administrative functions, saying that now, when the State is changing its management of enterprises from mainly direct to indirect control, the government departments concerned have to change their functions accordingly.

Government economic departments should no longer spend their energy on assigning quotas, approving investment projects, and allocating funds, materials, and labor.

Instead, they should pay attention to the more important strategic work. They should implement economic policies by planning overall developments and enforce economic regulations through inspection and supervision.

Tong Dalin told CHINA DAILY that such a reform could proceed in two ways: one from top to bottom, that is from the State Council and its subordinate ministries to lower-level governments; the other is to let enterprises, properly endowed with decisionmaking power, exert pressure on one level of administration after another, or from bottom to top.

The first approach was not considered feasible under the present circumstances, though people in the commission are by no means shy about drawing plans to eventually streamline the body of the State Council.

The second approach has already produced some encouraging experience, Tong said, citing the example of Shijiazhuang City, Hebei Province.

There enterprises bring their problems to the city government bureau from which most of their problems have stemmed--and try to persuade them to help solve the difficulties.

When enterprises cannot budge the bureau, the mayor steps in as a mediator.

Premier Zhao said on his inspection tour to Henen Province at the end of last year that the essence of all of China's economic problems was that enterprises were tied up with administration, and economic management was conducted through administrative means.

As a matter of fact, Tong pointed out, while the State wants to grant enterprises decisionmaking power, and provincial governments are prevented from directly meddling in enterprise affairs, the municipal level seems to be the main stumbling block at the moment.

At present, he said, no Chinese enterprise manager seems to feel that he or she has been given enough decisionmaking power, and that most of the problems are indeed associated with the large number of local bureaus.

He contended that the country's entire reform program centers on improving enterprise performance. So the level of administration that is most closely related to enterprises, that is, the municipal level, should be the next major battlefield, to assure a good business environment for the enterprises.

Beginning this year, the reform of government economic functions will be tried in "five or six medium-sized cities," including Changzhou, one of Jiangsu Province's "star cities" in the modernization drive.

Tong also indicated that there might be some moves at the top level, too, so long as conditions were right. He said that since the power of some ministries had been almost totally handed over to local governments, the possibility of their merging had been discussed.

Asked whether the biggest problem in this reform is the allocation of money and materials, Tong said: "No. Where so many office employees should go is a far more important issue."

He outlined roughly three ways in which those who are now employed by the over-staffed government offices will be redistributed.

The first is, of course, that those who are deemed necessary will remain in their positions.

The second is that some will become members of policy research institutions, to render consulting service to enterprises.

The last is that "perhaps a great many" will have to learn business administration and become enterprise managerial personnel.

Tong said that although China has tried many ways to streamline its administrative bodies, many of them are still too big. "This is because they take on too many functions--there has to be a large number of people to handle all these affairs. If our offices are really to be streamlined, there must be some change of government functions."

Tong Dalin worked in the Department of Propaganda of the Communist Party and was persecuted following the beginning of the "cultural revolution." He worked in the Chinese Academy of Sciences after his rehabilitation, then transferred to the State Commission of Science and Technology before he came to work on economic reforms.

The state Commission for Restructuring Economic System was founded in 1982, heading two other institutions--one the Research Institute of Restructuring Economic System, staffed mainly with younger economists, the other the Research Society of Restructuring Economic System, joined by older reformers.

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CSO: 4020/276

ECONOMIC MANAGEMENT

TIANJIN MAYOR SPEAKS ON URBAN, RURAL REFORM

OW070220 Beijing XINHUA in English 0159 GMT 7 Apr 86

[Text] Beijing, April 7 (XINHUA)--Synchronizing urban and rural reforms is an urgent task for China's ongoing economic restructuring, Tianjin Mayor Li Ruihuan said here today.

Li, who is attending the annual session of the National People's Congress, said, "The rapid growth of rural commodity production has smashed the bounds of the self-contained rural economy. As a result, contacts between the urban and rural areas are becoming closer and closer."

However, people's conceptions and customs, and the current economic structure cannot keep pace with the changes he told XINHUA.

He gave an example: after mandatory state purchase quotas of farm products were lifted last year, some peasants did not know what crops they should grow because they lacked access to market information. Others recklessly went ahead with production without paying attention to market demand.

Meanwhile, some state commercial departments failed to take effective measures to link agricultural production to a market-oriented economy guided by state plans.

Li noted that commodity circulation has become a prominent problem with the fast growth of the rural commodity economy.

In the suburban counties of Tianjin, a major industrial city in north China, peasants now sell 73 percent of what they produce to the state and on the free market; now, some 46,000 rural households specialize in commodity production.

"But peasants have great difficulty in selling farm products because state-owned stores, transport and storage facilities are insufficient and poorly equipped," he said.

He continued: "To solve the problem of circulation, we should integrate urban development with rural development by reforming the current system linking the city to the countryside. For this reason, producers must bear in mind commodity exchange, through which we hope to achieve harmonious development between rural and urban areas."

Moreover, both urban and rural production should become more market-oriented, he said.

He stressed that the state should regulate production and circulation by using indirect control tools, such as prices, taxes and loans, rather than administrative measures.

They should also try to make it easier for peasants to sell farm products, and improve supplies and services for them.

Industrial departments should develop new products for peasants, Li said, adding that production of some goods should be transferred to rural factories. Urban factories should also launch joint ventures and cooperative businesses with rural factories.

Foreign trade companies, research institutes and other urban businesses should do their best to aid agriculture.

Meanwhile, peasants should concentrate on providing the city with more farm and sideline products, the mayor said.

He told XINHUA: "I think the closer the countryside is linked to the city, the faster the rural commodity production will grow and the more prosperous peasants will become."

The income of each Tianjin rural resident rose 19.2 percent from 1984, to reach 601 yuan last year--214 yuan more than the national average.

The mayor said this is due largely to closer ties between the urban and rural areas.

Li said that Tianjin will try to explore new approaches to bring the city and countryside closer.

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CSO: 4020/276

ECONOMIC MANAGEMENT

BEIJING FACTORIES BEGIN MANAGEMENT BY CONTRACT

OW050820 Beijing XINHUA in English 0742 GMT 5 Apr 86

[Text] Beijing, April 5 (XINHUA)--The government has begun to hold the managers of some state-run factories here accountable for the performance of their enterprises.

This week, managers at 20 factories in Beijing signed five-year contracts specifying targets for profits, quality and variety of goods, and managerial and technological innovation, according to the PEOPLE'S DAILY.

Under the contracts, the managers' salary increases will be based on the extent their factories reach their goals.

Managers who fail to meet the goals will be demoted once their contracts expire.

Managers may be dismissed during their five-year terms if there are serious breaches of industrial safety procedures or other major disruptions of production.

And they may even be arrested if their factories are involved in serious economic crimes.

Factory managers are appointed by the government. Those not under the contract system are required to submit production plans each year.

But, said one city official in a telephone interview with XINHUA, "Under the old system, the managers would not be affected very much if they failed to meet the goals they had set."

"Now, once a manager signs a contract, government officials may check their progress at any time," he said.

As part of the ongoing urban economic reform in China since last year, factory managers have had their decisionmaking powers increased.

In this week's move to the contract system, managers of chemical, machine building, and textile factories were involved, the PEOPLE'S DAILY said.

The manager of Beijing's No 1 machine tool plant, for example, agreed to double the factory's output value within five years without enlarging its workshop buildings.

29 April 1986

ECONOMIC MANAGEMENT

BUSINESS MANAGEMENT COLLEGE OPENS IN GUANGDONG

OW171335 Beijing XINHUA in English 1324 GMT 17 Mar 86

[Text] Guangzhou, March 17 (XINHUA)--Zhongshan University in Guangzhou has opened a college of business management, school authorities announced here today.

The Sheng-heng Ho Foundation Ltd of Hong Kong donated HK\$20 million to set up the college. The money will be used for renovating buildings, buying equipment and providing scholarships.

At present, the college has departments of business management and of accounting. Courses in tourism management and city administration will be added in the future.

The college now has 58 teachers, including ten professors and associate professors and 14 lecturers, and 669 students, including 40 graduate students.

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CSO: 4020/276



## ECONOMIC MANAGEMENT

### NPC DEPUTIES DISCUSS ECONOMIC GROWTH RATE

OW281338 Beijing XINHUA in English 1307 GMT 28 Mar 86

[Text] Beijing, March 28 (XINHUA)--Deputies to the National People's Congress shared the view during their discussions that it is necessary to control the country's economic growth rate and concentrate on improving economic efficiency during the 1986-90 Seventh 5-Year Plan period.

The draft Seventh 5-Year Plan worked out by the state council sets an annual growth rate of 6.7 percent for the total industrial and agricultural output value.

Leaders of Liaoning, Guangdong, and Sichuan Provinces agree that, although this is lower than the real growth rate of 11 percent achieved during the Sixth 5-Year Plan, it will by no means hamper China's efforts to hit the target of quadrupling the total industrial and agricultural output value by the turn of the century.

According to the draft plan, by 1990 the total industrial and agricultural output value will be 2.3 times that of 1980.

Premier Zhao Ziyang said Wednesday that low quality of products and poor economic results are the fatal weaknesses of our economy.

Setting an appropriate economic growth rate will help shift emphasis from quantity and output value to product quality and economic returns, according to the deputies.

Xiao Yang, mayor of Chongqing in southwest China, said that as the supply of commodities is not abundant enough, a number of enterprises overstress expansion of production scale and increase of output while neglecting technological advance and quality.

In his view, both the central and local governments should strictly control the investment scale so as to ensure more funds for retooling enterprises and developing new products, instead of starting new projects blindly.

He also proposed that scientific research results be applied to production more swiftly.

Quan Shuren, governor of Liaoning Province, one of China's major heavy industrial bases, said that to maintain an appropriate economic growth rate, it is necessary to control the excessive increase of processing industries and to speed up expansion of the energy, communications, and raw and semi-finished materials industries.

Overheated growth of the processing industries over the past two years has resulted in an acute shortage of energy, raw and semi-finished materials, as well as a strain on transport.

He said that Liaoning intends to provide more raw materials for China's metallurgical, building materials, and chemical industries in the near future.

In recent years, two-thirds of Liaoning's products have been shipped to other parts of the country for intensive processing.

Officials from other provinces stressed the proper handling of the relationships between economic restructuring and construction. Although the reform aims at accelerating the modernization drive, the economic growth rate should be adapted to the need of reform so that the two promote each other. In their view, the growth rate set in the draft plan is fairly good.

Ye Xuanping, governor of Guangdong Province, said that in light of the actual conditions of Guangdong, the arrangement of the draft plan is proper.

The government of the south China province has decided to readjust the annual growth rate of industrial and agricultural output value from the 13.6 percent over the past five years to nine percent in the 1986-90 period.

However, he added, a steady and coordinated economic development must be maintained so as to realize the grand goal of quadrupling the nation's output value by the end of the century.

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CSO: 4020/276

## ECONOMIC MANAGEMENT

### SHANGHAI COUNTIES BENEFIT FROM URBAN/RURAL ECONOMIC COOPERATION

Beijing RENMIN RIBAO in Chinese 26 Feb 86 p 1

[Article: "A New Situation of Urban and Rural Integration Has Appeared in Shanghai--Ten Suburban Counties Achieve Obvious Results in Economic Reforms; Relationships of Interdependence Between Urban and Rural Markets Are Becoming Closer; Suburban Counties Account for a Larger Proportion of Shanghai's Economy"]

[Text] Notable results have been achieved during rural economic reforms in 10 suburban Shanghai counties, and a new situation of urban and rural integration has appeared in Shanghai Municipality.

The first stage of reforms centered on output-related systems of contracted responsibility brought about major changes in Shanghai's suburbs. Development of the rural commodity economy has allowed 600,000 laborers to move into non-agricultural activities. The second stage of reforms, focused on readjustments in industrial structures, is now developing healthily and promoting additional shifts of labor power. The number of laborers that moved into secondary and tertiary industries in 1985 corresponded to 56.2 percent of the total rural labor force. The result is that new integrations of rural labor, intellect and capital have occurred. Land and animals are beginning to become centralized in the hands of large households and household associations, and long-term prospects for specialized, commercialized and modernized agriculture have appeared in the rural areas of Shanghai.

The new characteristics of economic patterns in Shanghai is that urban areas are relying increasingly on rural areas. Urban industries now are in the process of diffusion into townships and towns. The primary form of urban and rural cooperation is product diffusion, downward product transfers, technical cooperation, joint investment administration, and so on. Township and town enterprises have taken on 70 percent of Shanghai's clothing industry and they supply most bicycles, handicraft products, and various types of machinery and equipment parts. There are more than 150 types of economic activities in the city regions of Shanghai, while the suburbs have 130. The number of city factories built in the suburbs has reached 500, with total employment of about 500,000. A new situation of development coordinated by urban and rural interdependence has appeared.

This relationship of interdependence between urban and rural markets is becoming increasingly close. The suburbs supply a substantial portion or even all of the various farm and sideline products needed by the city's 12 million residents. The adoption of economic cooperation to carry out multilayer economic, material and technical circulation also has made urban and rural relationships even closer.

The suburbs are accounting for an increasing proportion of Shanghai's economy. The gross value of output in Shanghai's suburbs at present is three times the gross value of industrial and agricultural output for Shanghai as a whole shortly after liberation. Over the past 5 years, the net increase in value of output for all of Shanghai has been 26.2 billion yuan, and the suburbs accounted for 33 percent. Shanghai's suburbs have become an important foreign trade base area and product exports have increased year after year. There has been an increase of about 2 billion yuan in sources of export goods and 1 billion yuan came from the suburbs. Cooperative enterprises established through Chinese and foreign joint investments now are developing in the suburbs. Joint investments with concerned departments at various levels have expanded to include 22 provinces and municipalities and more than 120 countries. Differences in standards of living in urban and rural areas are beginning to shrink and the living standards of many peasants are higher than urban residents.

Shanghai Municipality now is formulating a series of new policies to adapt to this new form of urban and rural integration. The key to good implementation of these policies is to transfer authority to counties and to eliminate various irrational stipulations that restrict development work at the county level so as to expand their powers. The first thing is to expand their financial authority. Shanghai tried out a method of "checking and ratifying base numbers, assuring that growth is distributed according to fixed proportions" that has been supported by the counties. It will be continued into the future, and specific consideration still must be given to counties with rather poor economic foundations.

To deal with these profound changes in urban and rural relationships, the Shanghai Municipality CPC Committee has stressed that all industries and activities must abandon old concepts and ideas that do not conform to the circumstances and renew their knowledge. The new concept of urban and rural integration should be used to guide our work in the future, and this concept should be used in policy formulation, planning and considerations of work stages to promote synchronous reforms in urban and rural areas and achieve urban and rural integration.

12539/6662

CSO: 4006/820

ECONOMIC MANAGEMENT

SHANGHAI RATIONALIZES INVESTMENT IN CAPITAL CONSTRUCTION

Shanghai WENHUI RIBAO in Chinese 8 Feb 86 p 1

[Article: "The Direction of Capital Investments in Capital Construction Is Becoming Rational, Investment Proportions in Secondary and Tertiary Industries Increased Sharply in 1985 While Investments in Primary Industries Declined; Energy and Communications Are the Focus of Investments"]

[Text] While strictly controlling the scale of investments in fixed assets, Shanghai Municipality also has taken action to readjust the direction of local financial investments. The proportion of local expenditures for capital construction invested in primary industries in Shanghai declined while the proportions invested in secondary and tertiary industries increased by 60 and 82 percent, respectively, over 1984. Total investments in energy resources, communications, construction materials and basic facilities for municipal government reached 1.42 billion yuan, and these investments have played an excellent role in promoting coordinated development of the various industries in Shanghai.

There were five key focuses in capital construction projects arranged through local finances in Shanghai in 1985. One was electric power construction. Investments in electric power construction in 1985 reached 123 million yuan, up 2.8-fold over 1984. Arrangements were made for 20 small scale power transmission projects, one thermal network project and new construction and expansion of one power plant. The second was the construction industry. Total investments were up 1.6-fold over 1984, and the eight planned projects will produce an additional 500,000 tons of cement, 80,000 tons of lime and more than 12 million tons of glass sand each year after they are completed. The third was residential construction, with total investments up by nearly 50 percent over 1984. The fourth was city government and public facilities. Investments in this area in 1985 reached 430 million yuan, up 2.3-fold over 1984. The fifth was investments in culture and public health. Total investments reached 132 million yuan, up by 73 percent over 1984. These included 137 newly-constructed or expanded nurseries, middle and elementary schools and adult part time schools. A movie theater and cultural hall were built, as were 11 hospitals, epidemic prevention stations and public health schools.

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## SUPPLY AND MARKETING COOPERATIVES TO AID PEASANTS

Shijiazhuang HEBEI RIBAO in Chinese 5 Feb 86 p 1

[Article: Supply and Marketing Cooperatives Must Think of and Serve the Peasants--Comrade Hong Yi Discusses Reforms at a Meeting of Prefectural and City Supply and Marketing Cooperative Directors"]

[Text] Hebei Provincial Vice Governor Hong Yi [3163 3015] convened a meeting of prefectural and city supply and marketing cooperative directors during the 2d Expanded Meeting of the 2d Hebei Province Supply and Marketing Cooperative Commission. After hearing the reports of supply and marketing cooperative directors from some prefectures and cities, he spoke about ways to invigorate commodity circulation and make intensive system reforms in supply and marketing cooperatives.

While discussing ways to invigorate commodity circulation, Hong Yi said that the most prominent question in rural areas at present is the issue of circulation. Many of our current problems are related to obstructions in the realm of circulation, and they have affected development of the commodity economy. There are three main issues in the realm of circulation in rural areas that require our study. The first is that although "difficulties in selling" selling [some agricultural products] have been alleviated somewhat, they have not been completely solved. Fixed purchase tasks in grain and cotton contracts should be discussed fully and set rationally. Be firm in correcting forces grade and price lowering activities. Formulate price protection for certain products and do not stop purchasing or refuse to buy. The second issue is that supplies of some products cannot meet demand. The result has been price increases and competition to purchase for items like fruit, furs, walnuts and so on. Restoration of unified and assigned purchasing will not solve this problem, nor will regional closure. What can be done? First, the relevant departments in local areas should coordinate prices, and second, we should take action to develop horizontal joint administration. The third main issue in the realm of circulation is that state-run commercial enterprises and supply and marketing cooperatives have not been completely effective in their role as a primary conduit of circulation. The problem of separation between town and countryside is not a large one at present, but there are some cases of closure between regions. We should do some survey

research in this area, and there are many problems that must be solved. We still have not focused sufficiently on circulation, nor have we studied it enough. We must renew our understanding of the status and role of circulation and treat it with the same importance as production.

When discussing system reforms in supply and marketing cooperatives, Hong Yi first confirmed the obvious achievements made in system reforms in the supply and marketing cooperative system in Hebei. He said that system reforms in Hebei's supply and marketing cooperatives had taken two major steps over the past 2 years, especially in services for development of rural commodity production, where there have been new innovations. There are nine "fully integrated" services that are quite representative. The peasants have welcomed them and a new route for the development of services in supply and marketing cooperatives has been found. This was achieved through party and government leadership at all levels and the joint efforts of all cadres and employees in supply and marketing cooperatives. When faced with their achievements, they have not been satisfied but instead are modest and prudent and go a step higher.

Supply and marketing cooperatives should be operated as cooperative commercial enterprises for the peasant masses. This is the goal of reforms in supply and marketing cooperatives. How can they truly become "civilian run?" The most important thing is to shift our focus to the peasants. Supply and marketing cooperatives are peasant economic organizations. They should think of the peasants, serve the peasants, and increase peasant incomes.

The first thing to consider when evaluating the quality of supply and marketing cooperative management is to examine the number of services provided to the peasants, how much their incomes are increased, and how large of a contribution they make to helping the peasants to become prosperous. We cannot be concerned merely with how much money can be had. Supply and marketing cooperatives do have their own rational benefits, but the most important thing is that they should increase peasant incomes.

Supply and marketing cooperatives should strive to provide services for development of rural commodity production. Services are multifaceted, but supply and marketing cooperatives should focus on good services in the realm of circulation. They should expand their scope of activities and range of services and work actively to develop purchasing and sales activities. We need to set up several farm and sideline product processing plants. Processing increases value and facilitates sales, which is another example of service to the peasants. Services in storage, shipping and other areas also should be run well.

Develop horizontal economic relationships between regions and between sectors, try out new types of commercial activities. Hebei now has this sort of pattern and they should be summarized, improved and developed, and we should explore new forms of joint administration. These new types of commercial activities are not the same as existing state-run commerce and supply and marketing cooperatives, nor are they like individual commerce. Instead, they

are associations that cross regional and sectoral boundaries to open up production and consumption channels. They have the advantages of few links, direct contact between production and sales, direct connections between town and countryside and interregional integration. They can be shaped gradually into rather fixed circulation channels. All medium sized cities can set up experimental jointly-managed wholesale markets for farm and sideline products and establish joint management companies. There are additional forms that can be studied and explored in all areas.

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## ECONOMIC MANAGEMENT

### YE XUANPING ON GUANGDONG PLAN FULFILLMENT

OW311256 Beijing International Service in Mandarin 0900 GMT 30 Mar 86

[Talk by Guangdong Governor Ye Xuangping on Guangdong's Prefulfillment of its Sixth 5-Year Plan; no date given--recorded]

[Excerpts] Overseas Chinese compatriots and friends: I am attending the fourth session of the sixth NPC in Beijing, and I would like to take this opportunity to talk to you through Radio Beijing about Guangdong's fulfillment of its Sixth 5-Year Plan by practicing the open policy and carrying out reforms.

Overseas Chinese compatriots and friends, you probably all know that the years from 1981 to 1985 were the period for carrying out China's Sixth 5-Year Plan for national economic and social development. As far as Guangdong is concerned, the past 5 years have been a period of the most prosperous development since the founding of new China. I am happy to tell you now that our Guangdong Province has prefulfilled and exceeded its Sixth 5-Year Plan.

During the Sixth 5-Year Plan period, Guangdong's gross domestic product registered an average annual increase of more than 13 percent, a steady growth rate never seen before in our province during previous 5-year plans.

Fellow townsmen residing abroad, Guangdong has been a step ahead of China's inland provinces in opening its doors to the outside world. As early as in the latter half of 1979, the central authorities approved the implementation of a special policy and flexible measures in Guangdong's economic activities with foreign countries. In view of the state's general strategy in national economic development and our province's advantages of being close to Xianggang and Aomen and having large numbers of returned overseas Chinese and a long coastal line, the central authorities successively approved the establishment in Guangdong of three special economic zones, Shenzhen, Shuhai, and Shantou, and the further opening of Hainan Island, the coastal cities of Guangzhou and Zhanjiang, and the Zhujiang delta area. An open zone, which is multi-layered and diversified and capable of various functions, has taken shape in the province. It is a major base through which Guangdong opens its doors to the outside world and develops its economy. It is also a key bridge and link for the motherland's inland areas to strengthen economic ties with Xianggang, Aomen, and the rest of the world.

Reform of the economic structure in our province got underway at the same time we launched our open policy. After years of practice and exploration in the past, reform of the economic structure has gradually moved from the rural to the urban areas. A production responsibility system, mainly in the form of a household-based contract system, has now been universally adopted throughout the countryside. A reasonable readjustment of the agricultural structure has also been made. This has fired the enthusiasm of the peasants, and commodity production has developed rapidly. Urban enterprises have been given more decision-making powers, and this has enhanced their vitality.

Overseas Chinese compatriots, the achievements made by Guangdong in the sixth 5-year plan period are inseparable from the support given by our fellow townsmen abroad and other overseas Chinese compatriots. As a result of the implementation of the open policy and the policy on overseas Chinese affairs, more and more overseas Chinese compatriots, friends of Chinese origin, and compatriots from Xianggang and Aomen are returning to their hometowns to sightsee, visit with relatives, and give lectures. Many have even made investments in their native towns for running factories and enterprises or donated funds for such public welfare undertakings as schools, hospitals, and roads. Of the 16 institutions of higher learning established in the Sixth 5-Year Plan period in Guangdong, many were built and run with the donations made by overseas Chinese and Xianggang and Aomen compatriots.

The overseas Chinese compatriots and the compatriots in Xianggang and Aomen will always be held in high esteem by us because of these magnanimous actions and because of the warmth they have shown and their love for their motherland and hometowns.

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ECONOMIC MANAGEMENT

GUANGDONG LEADER ON DEFICITS, SURPLUSES ISSUES

HK050603 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 5 Apr 86

[Text] Vice Governor Kuang Ji stressed when delivering a summation yesterday at the Guangdong provincial conference on reducing deficits and increasing surpluses that the fundamental way to achieve the province's target for reducing deficits and increasing surpluses this year lies in invigorating the enterprises themselves and achieving good economic results from management and from cooperation.

Kuang Ji said: The province's task of reducing deficits and increasing surpluses this year is very heavy and there are great difficulties. We must squarely face the difficulties and solve them properly, and also see the favorable conditions and increase our confidence. At present we must in particular guard against one-sided pursuit of output value, shoddy manufacture, and neglect of quality and economic results, and we must also guard against using the current objective difficulties to conceal the problem of inadequate subjective effort, and slackening subjective effort. All enterprises must turn their eyes inwards and work hard to tap potentials by improving inner vitality and quality.

Kuang Ji said: The work of enterprise consolidation in Guangdong has been basically completed. The province's enterprises must waste no time in launching a drive to upgrade themselves and become advanced, so as to make a new breakthrough in the various economic and technical indices and achieve still better economic results.

Kuang Ji said: At present we must pay particular attention to developing lateral economic ties centered on production of key products, to promoting joint industry-commerce and industry-trade operations aimed at opening up extensive markets, and to organizing production-research ties forged with scientific research departments in institutes of tertiary education in the interior. The economic, planning, fiscal and taxation, and finance department must vigorously support the enterprises in developing lateral ties. However, we must not rush headlong into mass action, and still less should we pursue only one form of this endeavor.

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CSO: 4006/933

## ECONOMIC MANAGEMENT

### BEIJING COURT PASSES SENTENCES ON ECONOMIC CRIMINALS

SK100848 Beijing BEIJING RIBAO in Chinese 30 Mar 86 p 1

[Excerpts] On 29 March, the municipal intermediate people's court opened a court session to announce the decision on economic criminal cases indicted by the municipal people's procuratorate, which involved Ma Xueliang, former director of the municipal public utilities bureau; Huang Yuqian, former secretary of the party branch of the supply network center of the municipal gas company; Zhang Shengyuan, former manager of the municipal gas company; Liang Guoan, former chief of the gas supply network center; Tian Wenhe, former leader of the work team in charge of maintaining pipelines under the gas supply network center; Zhao Yuhai, former secretary of the work team party branch; and Guo Shengfu, deputy leader of the work team. More than 400 people occupied the visitors' seats in the court and expressed warm support for the decision on punishing the economic criminals including Ma Xueliang.

The decision made by the municipal intermediate people's court points out: The behavior of these offenders including Ma Xueliang constitute the crimes of embezzling public funds, receiving bribes, and neglecting duties. Thus, they must be punished in line with the law. The court has made the following decisions in line with their criminal facts, characters, and the state of affairs; in line with the degree of damage caused by their crimes; and according to the criminal law and the decision made by the NPC Standing Committee: The court sentenced Ma Xueliang to 4 years' imprisonment on charge of receiving bribes, to 1 year's imprisonment on charges of embezzling public funds, to 2 years' imprisonment on charges of neglecting his duties, totaling 6 years' imprisonment; Huang Yuqian to 15 years' imprisonment, including 13 years' imprisonment on charges of embezzling public funds and 3 years' imprisonment on charges of receiving bribes; Zhang Shengyuan to 11 year's imprisonment, including 6 years' imprisonment on charges of receiving bribes, 4 years' imprisonment on charges of embezzling public funds, and 2 years' imprisonment on charges of neglecting his duties; Liang Guoan to 10 years' imprisonment, including 9 years' imprisonment on charges of embezzling public funds, and 2 years' imprisonment on charges of receiving bribes; Tian Wenhe to 12 years' imprisonment, including 6 years' imprisonment on charges of embezzling public funds and 7 years' imprisonment on charges of receiving bribes; Zhao Yuhai to 11 years' imprisonment, including 9 years' imprisonment

on charges of receiving bribes and 3 years' imprisonment on charges of embezzling public funds; and Guo Shengfu to 3 years' imprisonment, including 3 years' imprisonment on charges of embezzling public funds and 1 year's imprisonment on charges of receiving bribes. [all figures as published] Offender Zhang Guobing was exempted from criminal punishment because he actively repented his slight mistakes, frankly admitted his crimes, exposed his criminal partners, and actively returned his illegal incomes. At the session, other offenders were also respectively dealt with.

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ECONOMIC MANAGEMENT

SHANXI RADIO URGES DEVELOPING COOPERATIVE SYSTEM

HK180303 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 17 Mar 86

[Station Commentary: "Perfect the Cooperative System"]

[Excerpts] Central document No. 1 of 1986 points out that the development of rural commodity economy requires the socialization of production services. Hence, in perfecting the cooperative system, we must start with the service setup.

On the question of the cooperative system, it is necessary to clarify certain muddled views. One view consists of muddling up the cooperative system with the three-level ownership cooperatives of the people's communes in the past. People who hold this view say that promoting the cooperative system means going back to the old road of egalitarianism with everyone eating out of the same big pot. In fact, the cooperative system today is totally different from the past practice of eating out of the same big pot.

[passage indistinct] Moreover this is a voluntary joint undertaking, and there is no compulsion about it. The distribution methods of the combine are decided by its members through consultation, and distribution is done according to capital, technology, and labor input. There is no question of egalitarianism or eating out of the same big pot.

Some people are worried that organizing the cooperative system means changing the household contract responsibility system. This is not the case. Household contracts are themselves integral parts of the cooperative economy. In developing the cooperative system at present, we should mainly start with the service setup. We should establish local cooperative service organizations that are able to undertake things that a single household cannot do or cannot do well, to provide service before, during, and after agricultural production.

There are also people who say that the current practice of decentralized operations is very good, and they query why the question of developing and perfecting the cooperative system should be raised. This shows a lack of understanding of the advantages of the cooperative system. In developing production, and especially in providing services, it is essential to have a certain scale. The size of this scale should be appropriate, and it should yield good results. A service structure cannot exist without a certain scale.

Only by developing cooperative economy can we satisfy the peasants' urgent demands for supplying fine-strain seed, technology, processing, storage, transport, sales, and other services. We must act in light of local conditions in developing the cooperative system. We must not issue compulsory orders without taking conditions and requirements into account.

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CS0: 4006/933

29 April 1986

## ECONOMIC MANAGEMENT

## GANSU: LANZHOU CITY DEVELOPS LATERAL ECONOMIC TIES

HK171602 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 15 Mar 86

[Excerpts] Lateral economic ties have promoted economic development in recent years in Lanzhou City, resulting in changes in six areas:

1. They have speeded up the exploitation and use of natural resources and have turned potential superiorities into real ones. Lanzhou City abounds in natural resources and energy. By making full use of this superiority, Lanzhou city has vigorously brought in funds and technology. As a result, the city can annually produce 300,000 tons more of high-strength cement, 4,000 tons more of ferro-alloys, and 16,000 tons more of silicon iron and silicon calcium. The output value of these three items may reach 60 million yuan and the profit and tax submitted to the state may come to nearly 10 million yuan annually.
2. They have speeded up the technological transformation of old enterprises.
3. They have speeded up the development of town and township enterprises. According to statistics of the Lanzhou City town and township enterprise management bureau, town and township enterprises in the city brought in some 34 million yuan from outside the city and their output value amounted to some 470 million yuan in 1985, an increase of more than 100 percent over 1984.
4. They have speeded up the process of coordination among specialized departments.
5. They have speeded up the transfer of scientific and technological achievements and the reasonable flow of talented people.
6. They have speeded up coordination and economic supplementation between urban and rural areas.

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29 April 1986

## ECONOMIC MANAGEMENT

## DEPRECIATION OF FIXED ASSETS IN SMALL ENTERPRISES DISCUSSED

Beijing NONGCUN CAIWU KUAIJI [RURAL FINANCIAL AFFAIRS] in Chinese No 8,  
6 Aug 85 PP 17-18

[Article by Cao Guangming [2580 1639 2494]: "Township and Town Enterprises Fixed Asset Depreciation Rates Urgently Need To Be Increased"]

[Text] Township and town enterprises' fixed asset depreciation rates tend to be low at the present time and they are far from being able to repay the value of wear and tear and expenditure of fixed assets. This is manifested principally in the following two ways:

1. The pace of depreciation of the fixed assets of township and town enterprises tends to be slow everywhere. Compilation of the financial situation of township and town enterprises nationally shows the original value of fixed assets in these enterprises nationwide in 1984 (not a complete compilation) to have been 42.03 billion yuan. Cumulative withholdings for fixed asset depreciation amounted to 9.65 billion yuan or 23 percent of the original value of the fixed assets. In 1984, withholdings for fixed assets depreciation amounted to 1.95 billion yuan for an overall average depreciation rate of 4.6 percent. At this pace, it would take more than 20 years to depreciate most fixed assets, no small length of time.

2. The actual value of fixed assets in township and town enterprises is lower than their net value. On the basis of our survey of the utilization of fixed assets in 93 township and town enterprises in counties in which the output value of these enterprises was more than 100 million yuan, the net value of fixed assets in these counties in 1984 was 5.84 billion yuan, but the actual value of these fixed assets was approximately 20 percent lower than the net value. Some fixed assets have become high priced low value articles; others should have been replaced long ago. And for many others, depreciation has not been withheld. Given their present life expectancy, it will never be possible to recover the original value of some machines and equipment through depreciation, etc.

I believe that there are two reasons for the the foregoing problems as follows:

First, the currently set fixed asset depreciation rates are too low. According to financial management methods for commune operated enterprises promulgated in 1980 by both the Ministry of Agriculture and the Ministry of Finance, overall depreciation rates for fixed assets were to be set by individual provinces, municipalities and autonomous regions, a situation which did not give rise to uniformity between one place and another. Some places ruled an annual overall depreciation rate of 6 percent; in other places it was 5 to 7 percent; in others it was 6 to 8 percent; and in still others it was 8 to 10 percent, etc. For various reasons, however, the average overall depreciation rate for township and town enterprises throughout the country in 1984 was only 4.6 percent.

Comrades who understand township and town enterprises realize that a substantial part of the fixed assets that these enterprises use have been discarded by state-owned enterprises or by collective enterprises of the Second Ministry of Light Industry, or is old equipment that has been sent to the countryside. Some is surplus that has been produced by plants that produce the means of production, or it is rejects or prototypes. Some of these fixed assets have been substantially depreciated in the enterprises from which they came. Some are of poor quality with high price tags and when township and town enterprises purchased these fixed assets, they were re-priced and depreciated year by year in accordance with prescribed depreciation rates with the result that fixed assets that township and town enterprises should have replaced long ago cannot be replaced. They also have no way of disposing of some high priced but useless fixed assets. It has been estimated by departments concerned that when a township and town enterprise purchases at a negotiated price a piece of half new equipment from a state-owned enterprise, it has to figure depreciation at a depreciation rate that is again as high as that of a state-owned enterprise. Thus, the amount of depreciation withheld amounts to exactly the same amount that the state-owned enterprise withheld. If the equipment purchased is less than one half new, the proportion of withholdings for depreciation by the township and town enterprise is much higher. Clearly, the currently set fixed asset depreciation rates are too low.

Second, some contract enterprises do not withhold or withhold too little for depreciation of fixed assets. After township and town enterprises instituted business responsibility systems, because the responsibility system was not entirely perfect, at the time of contracting some places only set a profit norm to be paid to the state. They made no provisions for methods of using fixed assets upon completion of the period of contracting or on in service rates. As a result, some contractors did everything possible to hold down all payments of expenses to fulfill or overfulfill their contract quotas, and even either did not withhold or withheld too little for depreciation of fixed assets.

Strengthening of the management of fixed assets in township and town enterprises, increasing utilization efficiency, and good performance of depreciation work are prerequisites for insuring continued growth of township and town enterprises. In this regard, we make the following suggestions:

First, use of different depreciation methods and different depreciation rates depending on the nature of the fixed assets, how new or old they are, and

where they came from. For some fixed assets, the depreciation period may be lengthened somewhat; for others it may be shortened a little. For still others, depreciation may be speeded up. This will both benefit development of township and town enterprises, and can insure a constant flow of revenues into the national treasury. Some of the outdated, decrepit, scrapped and old fixed assets in enterprises at the present time should be promptly disposed of properly. Those that deserve to be discarded should be discarded; those that should be replaced should be replaced and those that should be scrapped should be scrapped. Consideration should be given to supplemental withholdings for depreciation when fixed assets are to be discarded, replaced, or scrapped ahead of schedule.

Second is an increase in fixed assets depreciation rates and a shortening of the number of years of depreciation. The fixed assets of township and town enterprises are fairly antiquated and attention should be given to their replacement. At the present time, in particular, not only is there visible wear and tear on fixed assets, but invisible wear and tear is also fairly serious. In view of this, acting in the spirit of Central Committee Document No 4 of 1984 titled, "Fixed Asset Depreciation Rates May Be Suitably Increased," township and town enterprises annual overall depreciation rates for fixed rates should generally not be lower than 10 percent. Production equipment and transportation equipment that is subject to much wear and tear and corrosion and that has a short period for replacement, depreciation rates may be somewhat higher.

Third is further improvements in the business contracting responsibility systems of township and town enterprises. Contracting norms cannot only set the amount of profits to be paid the state it is also necessary to set sufficient amounts to be withheld for the depreciation of fixed assets. During the contracting periods, contractors must make sure of the in-service rates for fixed assets and the extent to which they are in-service.

Fourth is strengthening of the management of fixed assets in township and town enterprises. This applies particularly to contracting enterprises. Contractors positively must not adopt a "plundering style" of operation. Some fixed assets have to undergo major, intermediate or small repairs at regular intervals, servicing at regular intervals, and maintenance. After machinery has worked continuously for a period of time, a time has to be set for inspection and repairs. In short, management of the fixed assets of township and town enterprises intervals must be strengthened in accordance with management methods for fixed assets.

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CSO: 4006/105

## ECONOMIC MANAGEMENT

### PLAN FOR BETTER USE OF LAND OUTLINED

Taiyuan JINGJI WENTI [PROBLEMS IN ECONOMICS] in Chinese No 6, 25 Jun 85  
pp 55-59, 52

[Article by Guo Renhu [6753 0117 5706] and Yang Nongchao [2799 6593 2600], Shanxi Provincial Soil Management Bureau: "Serious Attention Must Be Paid To Scientific Management of Soil Resources"]

[Text] The building of Shanxi Province into a national energy, heavy industry and chemical industry base has brought about rapid development at an unprecedented speed and scope. This has brought in its wake a major problem of how to manage scientifically the rational development and use of soil resources.

The soil is a natural entity on the surface of the earth's crust that also contains other things. It is composed of natural elements of the ground surface's landforms, rocks, soil, plant cover, hydrology and meteorology. Soil resources is a general term applied to the quantity and quality of land that is already being used for agricultural production and that has not yet been developed. It includes such things as cultivated land resources, wasteland resources, grassland resources, forest resources, marshland resources, water surfaces resources, and beach land resources. Soil resources are not only naturally occurring, but are also the material basis on which human survival depends. They are not only are arena for human labor and activity, but are also the fount of material and energy that mankind needs. Soil is an indispensable requisite for the production of all material wealth, and it is the arena in which mankind carries out economic activities.

#### I. Overview of Soil Resources in Shanxi Province

Shanxi Province has a complex topography with numerous mountains and few rivers. It lacks reserves of cultivated land. The forest cover rate is low and grassy slopes have been seriously damaged. Soil erosion, solum aridity, and soil infertility are the three elements limiting development of agricultural production in Shanxi Province. Soil resources are distributed very unevenly throughout the province. In the north and northwest, a vast area is sparsely populated, the amount of cultivated land in most counties averaging more than 4 mu per capita. In the open country and the hill regions of the south and southeast, population is large relative to available land,

cultivated land in most counties averaging only approximately 2 mu per capita. In the area surrounding some cities and towns, and in villages near mining and industrial areas, the amount of cultivated land is only several tenths or even several hundredths of a mu per capita.

Analysis of preliminary data from agricultural region pilot projects shows the actual amount of cultivated land in the province to be slightly more than 80 million mu, approximately three-fourths of which is found in mountain and hill regions, and one-fourth occurring in flat lands in basins and mountain valleys. Approximately 20 percent of the cultivated land is irrigated. Reserve land resources are slight. They are found in basins in Yanbei and Jinzhong prefectures where there are approximately 4 million mu of alkaline land. Along the shores of the Huang He and the Fen He, there is approximately 1 million mu of sandy wasteland that would require a very large investment to develop it into land usable for farming, forestry or animal husbandry.

A Department of Forestry survey shows the present forested area of the province to be 23,597,000 mu, more than 60 percent of which is weed trees or low quality forests. Coniferous and fine quality forests account for less than 40 percent. More than half the area is young forests. Annual timber growth for the province as a whole is 2,815,600 cubic meters. Approximately 10 percent of the total area of the province has forest cover. This is lower than the 12.7 percent cover rate for the country as a whole.

Survey data from the animal husbandry sector show the province to have approximately 965,000 mu of grassland capable of supporting 224,000 sheep per year. As a result of long term lack of proper care, most of it has been overgrazed and pasture grass yields from most hillsides is low. On some there is insufficient water, which limits rational development and use of the grasslands.

## II. Problems Existing in Development and Use of the Province's Land Resources

As a result of the effects of "leftist" ideology, plus inadequate laws and regulations pertaining to the land, as well as the lack of organizations dedicated to taking care of the land and no scientific management of soil resources for a long period of time, there exists a general situation of inability to make proper use of, waste of and destruction of soil resources.

A. There is a proportional imbalance in the use of land for farming, forestry and animal husbandry, and the mix is not rational.

Analysis of the structure of land utilization shows approximately 47 percent of the province's total land area being used for farming, forestry and animal husbandry, which is lower than the 53 percent used for farming, forestry and animal husbandry in the country as a whole. Conversely, 18.9 percent of Shanxi Province's total cultivated land area is used for cities and towns, villages, roads and such non-productive purposes. This is a fairly high proportion. Analysis of the use of land for farming, forestry and animal husbandry shows little land used for farmland, forestry and animal husbandry. The amount of forest land is so small as to be unable to play a role in the conservation of water and environmental protection. The smallness of the amount of pastureland

limits development of animal husbandry. The steady decrease in the amount of farmland and the lack of reserve resources affects development of agriculture. In flatland areas, and particularly in industrial and mining areas and suburbs, the problem of competition for land between industry and agriculture is most conspicuous. Competition for land among farming, forestry and animal husbandry is also fairly serious in mountain and hill regions. For the most part, the farming industry's senseless clearing of steep slopes to bring them under cultivation has destroyed the ecological balance making it impossible to plan rationally farm, forestry and animal husbandry production on the basis of the kinds of soil resources and their suitability. Even within the farming industry, the pattern and structure of grain crops versus cash crops, high yield crops versus crops that nurture the soil, as well as the sequencing of crops is not sufficiently rational, and this limits the bringing into play of the soil's full production potential.

Shanxi Province is a part of the loess plateau in which mountainlands and hills occupy more than 80 percent of the total land area. As a result of a lack of area, much land is farmed for meager yields; farming is non-intensive; there is much use but little nurture of the soil. This has led to a steady decline in soil fertility and yields that are neither high nor consistent. For the province as a whole, grain yields have fluctuated for a long time around between 200 and 300 jin per mu, and in some fairly remote mountain regions they are as low as approximately 100 jin per mu. Wasteland has been cleared everywhere in the sole pursuit of grain output, even slopes with a gradient higher than 25 degrees being brought under cultivation. This has produced a vicious cycle of the poorer the more reclamation and the more reclamation the poorer. As far as forestry is concerned, Shanxi Province's forest cover rate is lower than the national level and land utilization in forest zones is not high either. In some places, reckless cutting and denudation are fairly serious. In the realm of animal husbandry, utilization of grassland resources is not fully rational. In most places, the raising of livestock is dependent on rainfall and transportation is not well developed. In places having fairly good water resources, there has been overgrazing that has led to regression of the natural plant cover. The result of such reckless reclamation, reckless felling of timber, and overgrazing has brought about a gradual deterioration of ecological conditions, and the eroded area has increased year by year.

B. Tremendous decrease in the cultivated land area, and an increasingly sharp contradiction between large population and little land.

Shanxi Province's cultivated land area has decreased year by year since liberation. Statistics show a cultivated land area for the whole province of 70,328,000 mu in 1954, the all-time high year for cultivated land area in the province. By 1982, the cultivated land area had decreased to 58,202,000 mu. Within the very short space of 28 years, the province's cultivated land area decreased 12,126,000 mu. This was the sum of the present cultivated land area in all of Yuncheng Prefecture and Taiyuan City. The decrease averaged 430,000 mu per year, the annual reduction in cultivated land area being greater than the sum of the present cultivated land area in Changzhi and Yangquan cities. This astounding figure cannot but arouse serious attention in all quarters.



Analysis of data about total population and per capita amount of cultivated land year by year in Shanxi Province year by year in the 35 years since founding of the People's Republic shows an extremely pronounced negative relationship between population growth and per capita cultivated land area. For every 10 million increase in population, cultivated land area per capita declines 2.18 mu. Nevertheless, as a result of the emphasis on planned parenthood since the 1970's and strict control of population expansion, particularly in recent years, plus an intensification of land management work, a preliminary halt to the evils of ill-advised takeovers, reckless use, waste, and destruction of land resources, and the buttressing of water and soil conservation efforts, the trend has been a reduction in the speed of decrease in the per capita cultivated land area. Consequently, strict control of population expansion and protection of soil resources, plus scientific and rational use of land resources will be a strategic action for realizing the magnificent goal of a multiplication of the national economy of Shanxi Province by the end of this century.

An analysis of reasons for the decline in Shanxi Province's cultivated land area shows the following:

1. Some of the land had to be taken over to build national and collective entrepreneurial units, and this use of land was rational. Nevertheless, quite a few units violated national regulations, using the land first and getting approval later, getting approval for a small amount and taking over a lot, and taking over much good land. Some units also undertook projects outside of plan, used influence with communes and brigades, made deals, or even leased, bought and sold land. Incomplete statistics show more than 5,000 units throughout the province as having taking over land for construction without having received approval, the amount of land thus occupied amounted to somewhat more than 1 million mu.

2. Some national cadres abused their authority to take over cultivated land arbitrarily to build private houses, the waste of land being extremely severe. A survey conducted in Linfen Prefecture showed that between 1967 and the end of 1983, national cadres, staff members and workers throughout the prefecture took over collective farmland in cities and towns to build a total of 3,949 private houses, each household having a private courtyard, and most houses taking up more than 1/2 mu of land. A similar situation occurred in varying degrees elsewhere throughout the province, wasting a large amount of land.

3. Takeovers of a lot of land by rural commune members to build houses have been serious everywhere. After rural villages instituted production responsibility systems and the economy became lively and peasant earnings increased, there was a general demand for improvement in housing conditions. This was fine, but since the building of peasant houses had not been managed well for a long time, offhanded approvals and disorderly building were fairly serious. According to incomplete statistics, 1.5 million peasant households in the province have built houses since liberation. This is 27.7 percent of all the peasant households in the province. This includes 655,400 households who build houses between 1979 and 1982, an average of 163,800 houses per year requiring 99,952 mu of land, or an average 0.62 mu of land per house.

In addition, a considerable decrease in the amount of cultivated land resulted from construction of large, medium and small water conservancy facilities, the building of commune and brigade roads, and destruction caused by natural disasters.

Accompanying development of the national economy and steady rise in the people's material and cultural standards of living, national capital construction, urban construction, the building of rural and small town enterprises, the building of transportation and communications, and peasant building of houses have taken large amounts of flat land, good land, wetlands, vegetable land and paddy land near cities and small towns causing a tremendous decline in the cultivated land area. This has occasioned definite hardships in the production and livelihood of some peasants. There are 50-odd production teams with more than 50,000 people in the province who have had to change their residence as a result of land takeovers.

Growth of city and town population must inevitably increase the country's burdens. Up until the time of the War of Resistance to Japan, 300 million jin of commodity grain was sufficient to satisfy needs. Today 3.9 billion jin of commodity grain is scarcely enough to get by. On the basis of current estimates for the building of Shanxi Province into an energy, heavy industry and chemical industry base, by the end of the century between 10 and 12 million mu of land will be taken over in the province, and the urban population is forecast to increase by approximately 5 million. It will be extraordinarily difficult to satisfy the ever increasing needs of the people's material and cultural lives in the cities and rural areas of the province. Furthermore, the land resources in the province that can be reclaimed for use are very slight. According to statistics, by the end of the century, all of the province's reserve land resources will have been completed reclaimed for agriculture, and maintenance of the present 2.28 mu per capita of cultivated land will be very difficult.

#### C. Water Resources Have Been Damaged

Shanxi Province is rich in mineral resources. Its coal reserves, in particular, rank first in the country. Large, medium and small coal mines are found all over the province in 68 counties (and cities) accounting for 36 percent of the province's total land area. The building of Shanxi Province into an energy, heavy industry and chemical industry base will give tremendous impetus to a new take-off of the country's national economy and realization of the magnificent goal of quadrupling the value of output by the end of this century. It will also occasion new problems. Not only will the cultivated land area be greatly decreased, but water resources will also sustain damage. Shanxi Province has a drought 9 years out of 10, and annual precipitation averages between 400 and 600 millimeters, decreasing from the southeast toward the northwest. Seventy percent of the rainfall is concentrated during the 3 month period July, August and September. Surface runoff in most years averages 11.68 billion cubic meters. Analysis of data shows ground water reserves in the whole province of approximately 5.5 billion cubic meters. A shortage of approximately 4 billion cubic meters of water is forecast by the end of the century. Shanxi Province's water resources are currently inadequate, and the conflict between agriculture and industry for water for production is becoming



ever more acute. Destruction of water resources to mine coal at 18 sites in 18 counties of the province has caused difficulties in obtaining drinking water for 50,000 people.

D. The soil and the environment have been seriously polluted and damaged. As a result of environmental protection work not having received the serious attention it should have had for a long period of time, the soil and environment of Shanxi Province have been seriously polluted and damaged. Statistical data from the province's environmental protection units show 1,214,400 tons of pollutants as being discharged annually into the province's rivers and reservoirs. This includes the Fen He, which is most seriously polluted. A high content of toxic substances such as phenol, cyanogen, arsenic, mercury and chromium have been found in the water of the Fen He. River water pollution percolates into the soil when used for irrigation bringing about soil pollution. Measurements show a trend toward increase as well in the toxic substance content of ground water in Taiyuan City, and this has already become a limiting factor in the development of agriculture.

### III. Scientific Management and Actions To Make Rational Use of Land Resources

The goal of scientific management of land resources is economically rational use of every inch of soil, taking full advantage of the land's production potential, and the building of a benign cycle system that benefits production and the ecological environment. Problems existing in the use of Shanxi Province's land resources require that actions in the following regards be taken:

#### A. Launching of a Land Resources Survey To Formulate Overall Plans for Land Use

Rational use of land resources must be in keeping with natural laws and economic laws. It has to be done from the angle of a combination of the study of economics and the study of the ecology, a good plan drawn up for overall use of the land. Planning must be legal, comprehensive and scientific in nature and form a complete system.

Finding out about and understanding the quantity and quality of the province's land resources as well as the laws of spatial distribution and the laws of changes in time, and clarifying the natural and current status of use of various kinds of land are prerequisites for doing a good of drawing up a comprehensive land utilization plan and making use of land resources. Consequently, the pressing task of the moment in Shanxi Province's land management is to do a good job of surveying land resources. Results of the county soil surveys that have already been done, will provide a scientific basis for the launching of a soil resources evaluation, for assessing and classifying the various categories of land used in production, for amplifying and improving land contracting production responsibility systems, for doing a good job of overall planning for land utilization and of suitability planning of sub-zones and sub-categories, for rational use of land, and for further strengthening of scientific management of the land.

## B. Gradual Readjustment of the Pattern of Different Categories of Land Use Throughout the Province

In a certain sense, land is the foundation on which all production sectors carry out the production process. In both farming, forestry and animal husbandry production and the building of the national economy, land constitutes a necessary material requirement. Different patterns of land use are the basis for different economic patterns. Therefore, correct and rational determination of the pattern of land use is extremely important for development of the national economy and for building a fine ecological environment alike.

The pattern of land utilization in Shanxi Province is extremely irrational. Land used for farming, forestry and animal husbandry amounts to only 47 percent of the total, lower than the 53 percent used nationally for farming, forestry and animal husbandry. The area used for farming, in particular, amounts to only 34 percent of the total land area. On the other hand 18.9 percent of the cultivated land area is used for non-productive purposes such as cities and towns, villages and roads. A look at Shanxi Province's land resources shows a great potential remaining to be tapped in the use of land for farming, forestry and animal husbandry. Places having requisite conditions should effectively improve the use of their alkaline land, bring desertification under control, improve waterlogged lowlands, build flatlands in mountain gulches, construct terraced fields on mountain slopes for an expansion in the cultivated land area. In mountain areas, there should be rational planning of the use of land suitable for forests and animal husbandry, a good job of afforestation and the growing of grass, intensification of water and soil conservation, and improvement of the ecological environment. Open country agricultural production areas should be laced with forest networks as appropriate to balance patterns, maintain ecological balance and establish a fine ecological cycle system. In the building of cities, villages and towns, medium size and small cities and towns should be paramount, with the building of satellite cities. A good job of village and town planning should be done as quickly as possible, the old villages, hamlets, cities and towns transformed, high rise structures built, and efforts made in the near term not to take over cultivated land or to take over little cultivated land, and to use build fields on land from which homes have been removed. In the building of industrial plants and mines, standards should be set for different trades, barren mountains, barren slopes, infertile land and poor land used insofar as possible and every effort made not to take over flat land or good land.

## C. Establishment of a Scientific Farm Crop System

Institution of sensible cultivation, sensible fertilization, and sensible crop rotation to change the limitations of the Shanxi Province's soil aridity, erosion, soil infertility and steady decline in fertility. This entails both increased use of organic fertilizer, the growing of green manure, returning stalks and stems to fields, and bringing soil from elsewhere to improve fields, and matching of crops that deplete the soil with crops that nurture themselves and crops that nurture the soil, and formulation of rational crop rotation and reverse cropping plans. Efforts after several years of crop

turnover to change the province's regression in soil fertility to balance or incremental increase.

#### D. It Is Necessary To Make Sure That Land Used for Mines or Industry Is Restored

Shanxi Province is extremely rich in mineral resources. Its reserves of coal, in particular, stand first in the country. As coal resources are exploited, the takeover of land, damage to soil resources, pollution of the natural environment and adverse effects on ecological balance are unavoidable. Restoration for further use of land taken over for mines and industries and of land that has been damaged will be a strategic action for the protection of Shanxi Province's land resources.

The reality of the takeover of land and damaging of the land done by mining and industry in Shanxi Province require that attention be given to study in the following several regards:

1. Improvement of mining machinery and development of equipment specifically for use in restoring the land in keeping with mining industry land restoration.
2. Study of techniques for stripping away the loess cover from mines, storing it and replacing it.
3. Intensification of scientific research on mining technology in an effort to reduce to the minimum effects on soil resources and the environment.
4. Formulation of laws and regulations for "mining management," "soil management," and "environmental protection management." ruling in law that when mining industries damage the soil, they must restore it for reuse, while at the same time constraining mining industries from damaging soil resources.

The goal of this research is to link mining and restoration in an organic totality, using economic methods to heighten the effectiveness of restoration while increasing mine productivity.

#### E. Enhancement of Soil Legislation To Protect Soil Resources

Formulation of laws on the rational use of every inch of soil, fundamentally insuring scientific management of soil resources, and use of economic levers to put into effect soil laws is an effective measure for the protection of soil resources. The country has already promulgated, "Regulations Pertaining to the Requisitioning of Land for National Construction," "Regulations on Controlling the Use of Land to Build Houses in Villages and Towns," "Forest Law," "Regulations on Water and Soil Conservation Work," and "Law For the Protection of Cultural Relics." Shanxi Province has linked the situation existing throughout the province to the formulation of "Shanxi Province Methods of Carrying Out Enforcement of 'National Regulations on the Requisitioning of Land For Construction,'" and Shanxi Province Methods of Carrying Out Enforcement of "Regulations on Controlling the Use of Land to Build Houses in Villages and Towns.'" The foregoing regulations provides a

basis in law and a guarantee for Shanxi Province to conduct scientific management of soil resources, and are a guide for good performance in the management of soil resources. We feel that comprehensive and scientific management of the soil also requires laws in the following several regards:

1. Payment of compensation has to be instituted for the use of land for construction in cities and the countryside; land use taxes have to be levied; and funds for the restoration of cultivated land have to be collected.

Use of land by both state construction units and individuals must be done within the framework of the institution of plan management and control of designated criteria, a system of compensation for land use being instituted. A land use tax should be levied for a set standard area, with additional taxes being levied for any portion over the standard in order to maintain socialist public ownership of land and to regulate contradictions between a large population and little land plus differences in the amount of land area used. For those who take over cultivated land for each construction project, a one-time collection should be made of a fund for the restoration of the cultivated land, this fund to be used to the reclamation of new cultivated land or to make land for use as fields, 1 mu to be returned for every mu taken. Payment should be 7,000 yuan for each mu of vegetable fields taken; for wetlands, 5,000 to 7,000 yuan per mu should be paid; and for drylands 3,000 to 5,000 yuan per mu should be paid. By so doing, arbitrary taking over of cultivated land for construction will markedly decrease, and the cultivated land area can be maintained at a relatively stable figure.

2. In view of the need for land to be taken over for national economic construction and the limited land area available, a system of rewards and penalties must be established for land use. All units and individuals who use land rationally and conserve on the use of land should be given certain material rewards; those units and individuals who use land unreasonably and wantonly waste it are to be severely punished.

In the setting up of a system of rewards and punishments for the contracting of land, it is necessary, first of all, to make a scientific evaluation of the condition of the land that the contractor is to farm, the level of soil fertility, how much is to be invested in working the land, and the degree of land intensivity, and then to reward or punish the person who has contracted the land on the basis of changes in the grade of the land resulting from his having farmed it. This is for the purpose of encouraging those who contract land to make a long-term investment in use of the land.

3. To protect soil resources, cultural relics and historic sites, and scenic sight-seeing areas, protected zones should be established and corresponding protection measures taken.

Commodity vegetable bases in close-in suburbs and in industrial and mining areas may be designated category 1 protected zones. Except for key projects arranged by the state, generally such areas positively must not be requisitioned or taken over for construction projects. If they must be taken over, no matter whether much or little, provincial government permission must be obtained and funds for the building of new vegetable fields are to be paid

to the local government. Wetlands, fruit orchards, lotus root growing areas, paddy fields, forestlands and man-made pasturelands may be designated category 2 protected zones. Flatlands of low fertility and drylands may be designated category 3 protected areas. Land in category 2 and category 3 protected zones must also be strictly controlled against takeovers. Casual takeovers of land for construction or changing the use for which the land was approved are positively not to be permitted. For all cultivated land that has been approved to be taken over for construction in a category protected zone, the constructing unit will generally be required to strip away the topsoil and to place the fertile topsoil on top of infertile land, or alternatively make farmland out of land produced by the construction project to increase the cultivated land area.

Boundaries and size of key cultural relic areas and famous scenic spots are to be clearly delineated, and land management organizations may adopt protective measures and provide protection in concert with other units concerned, resolutely enforce laws, and prevent the recurrence of the tragedy that occurred in Maoerling in Yuci City.

#### F. Establishment and Strengthening of Organizations To Carry Out Centralized Management

To genuinely enforce the national policy of cherishing and making rational use of every inch of soil, Shanxi Province should strengthen land management organizations at all levels and strengthen centralized management of land resources. It is particularly necessary to devote serious attention to the strengthening of land management organizations at the county level. All townships and villages should designate persons responsible for management of the land. Each department and each system should have corresponding personnel designated to manage the land.

#### G. Serious Attention to and Strengthening of Scientific Research Work

To meet needs in land management, Shanxi Province should strive to build a scientific soil research system within the next several years. We suggest the following in this regard:

1. Earliest formulation of a land study plan, organizing scientific research personnel and forces concerned to tackle key technical problems.
2. Fostering and training of a powerful scientific research corps to improve the theoretical level of land management personnel and to change completely the decentralized and weak state of affairs.
3. Scientific land research work should focus closely on the carrying out of the national policy of cherishing and rationally using every inch of soil, proceeding gradually into fuller application of systems engineering, study of ecosystems, use of remote sensing techniques, regional land planning, land evaluation, management of land rights, and management of production.
4. Actively engaging in academic exchanges inside and outside the country and intensification of a campaign for the popularization of science.

5. Planned increase in special land management or specialized courses in institutions of higher learning. Organization of short training courses for land management personnel currently on the job, and active bringing along of a group of specialized land management personnel.

H. Mobilization of the Whole Society To Devote Serious Attention to Land Problems

In view of the shortage of land resources in Shanxi Province plus the lack of rational use of land resources, the national policy of cherishing and making rational use of every inch of land should be vigorously publicized. Land management work should be made an important part of daily agendas in just the same ways as planned parenthood and population control. Efforts should be made to create a social atmosphere of everyone cherishes the land, and every family loves the land. Only in this way can rational use and scientific management of the province's land resources be carried out smoothly, and only in this way can the province's land resources management work meet the needs of socialist modernization.

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FINANCE AND BANKING

25-30 PERCENT RENMINBI DEVALUATION EXPECTED

HK050754 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement)  
in English 5 Apr 86 p 1

[Text] The renminbi is expected to be devalued by 25-30 percent in the next few months to pave the way for the formal withdrawal of Foreign Exchange Certificates (FEC) from circulation in China.

With the official exchange rate of the renminbi to the local dollar standing at 100-41 while the black market rate is about 100-58, observers believe the currency is overvalued by about 40 percent.

They are convinced that if there is no move to narrow this rate gap, chaos is bound to follow with the elimination of the FEC.

However, as China is determined to withdraw the FEC, they are convinced that not only will devaluation rationalize the exchange rate of the currency, it will also give a big boost to China's bid to correct the disequilibrium in its international balance of payments.

Any devaluation of the renminbi will make the country's exports more attractive to overseas markets and become cheaper [as published]. In turn, as imports become more expensive, the move will fit well with China's intention to curb its excessive and unproductive imports.

Mr Alfred Y.M. Li, project director of Tian An Development Company, a joint venture with substantial shareholdings from the Bank of China and the China Resources groups, believes the Chinese government already has a comprehensive schedule in mind as to how to bring about a smooth transition in the withdrawal from circulation of the FEC.

He is convinced that the official exchange rate of the Chinese currency will be devalued further before the FEC is formally withdrawn.

However, it is not yet known when the plan is to be implemented.

Mr Li feels that there is no reason why two currencies should coexist in a single country and he considers the move on the part of the Chinese government as a very sensible one.

However, Mr Lawrence J. Lau, Professor of Economics at Stanford University, said on Thursday that the renminbi was overvalued by about 25 percent.

He said a rationalization of the currency, by bridging the existing gap between its official and black market rates, will be extremely beneficial to the country.

Mr Lau is convinced that the preconditions for such a move are already there and that all China needs is a will to bring this about.

It will be a matter of years before the renminbi becomes an international currency, he said.

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FINANCE AND BANKING

NEW FINANCIAL CENTERS PLANNED IN MAJOR CITIES

OW070158 Beijing XINHUA in English 0146 GMT 7 Apr 86

[Text] Beijing, April 7 (XINHUA)--China will gradually open banking centers in its major cities as well as a monetary market keyed to the country's new economic structure, a high economic official said here today.

Discussing continuation of the country's economic reform over the next five years, Liu Hongru, vice governor of the People's Bank of China, told XINHUA the new economic institutions would follow up on experiments this year in Changzhou, Chongqing, Guangzhou, Shenyang, and Wuhan.

"By 1990, China should have a financial regulatory system that is both powerful in exercising overall control and flexible in operation," said Liu. "This should make collecting and spending domestic revenues and foreign exchange more efficient."

For public convenience--and to spur the circulation of money--Liu said some Chinese banks would soon offer more extensive checking and money order services, including personal and traveler's checks.

Overall, Liu said, he expected over the next five years "close cooperation as well as a more clear-cut division of labor" between the People's Bank --China's central bank--and specialized banks and other financial institutions.

The central bank, he said, "should use economic levers such as credits, foreign exchange, and interest rates to keep the national economy developing efficiently, in balanced proportion, and at a proper growth rate that is neither too high nor too low."

According to Liu, falling foreign exchange reserves have made it impossible to repeat last year's import program, which supported production and recouped the money in circulation as Chinese rushed to spend accumulated renminbi on high-priced imported goods.

"Since our resources of foreign exchange earnings are limited this year," he said, "we should try to attract more renminbi to meet the increased demand for credit."

Last year, interest rates were raised twice and banking services improved to increase savings deposits to 162.3 billion yuan, four times the 1980 figure.

The People's Bank will continue to tighten monetary control throughout the year, he said. Last year, the bank put into circulation 19.6 billion yuan, 6.6 billion yuan less than in 1984.

This year it will probably increase the amount of currency in circulation by a "proper margin" to keep up with economic development and the growing capacity of the economy, Liu said.

The People's Bank plans to extend an additional sum of 94 billion yuan in loans this year, the bank executive went on. This is 16.1 percent more than in 1985, and the priority will be given to energy, transport and raw and semi-finished materials undertakings as well as production of grain and other crops and the raising and breeding of domestic animals and aquatic products.

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## FINANCE AND BANKING

### DEPUTY FINANCE MINISTER ON SOLVING DEBT PROBLEMS

LD111257 Beijing XINHUA in English 1530 GMT 10 Apr 86

[Text] Washington, April 10 (XINHUA)--China said today that creditor and debtor countries share a common responsibility in solving the world's debt problem which is not become a long-term development issue. [sentence as received]

Li Peng, China's deputy finance minister, told a development committee meeting of the World Bank and the International Monetary Fund (IMF) that the experience in the past three years has proved that "belt-tightening short-term economic adjustment policies" cannot lead to a lasting solution of the debt problem.

"We urge industrial countries, in addition to explicitly expressing their willingness to solve the debt problem, to take concrete actions to [word indistinct] and coordinate their policies so as to improve the international environment," he said.

He explained that debt rescheduling arrangements need to be expanded and be more flexible--that commercial banks and international financial agencies should increase their lendings to debtor countries and reduce real interest rates--that industrial countries should roll back and eventually eliminate protectionism and to open their markets to exports from developing countries, to make effort to stabilize prices of primary commodities, etc.

In the case of African debtor countries, he added, there should be something more than debt rescheduling and the industrial countries need to consider other debt relief measures.

To alleviate poverty in African countries, he said, it is extremely important to formulate a "medium-term growth-oriented strategy" for these countries. In doing so, the World Bank, and the IMF, should respect recipient countries' opinions, tailor the programs to these countries' specific needs and specific difficulties. In no case should the strengthening of collaboration between the two institutions lead to cross conditionality on the debtor countries.

The development committee meeting, which opened today, will conclude tomorrow to end the spring sessions of the two international lending institutions.

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CSO: 4020/274

## MINERAL RESOURCES

### CHINA'S COPPER RESOURCES, COPPER SURVEY REQUIREMENTS OUTLINED

Beijing ZHONGGUO DIZHI [CHINA GEOLOGY] in Chinese No 10, 13 Oct 85  
pp 19-22

[Article by Yu Zhijie [0205 1807 2638]: "China's Copper Resources and Copper Surveying"]

[Text] China has rich copper ore resources, placing it in the front rank worldwide in copper reserves. The occurrence of copper has been verified at more than 800 sites, including nearly 30 large copper deposits that account for 80 percent of total reserves. Medium and small deposits cluster around large to medium-size deposits, so that copper reserves are even more concentrated in some areas.

In terms of geographical distribution, large and medium size copper deposits occur chiefly in the Middle and Lower Changjiang region, northeastern Jiangxi, the Xichang-Dianzhong area, the Zhongtiaoshan and Qilianshan areas, the Nanling area, the Yulong area of Xizang, and the Nenjiang area.

Tectonically, the occurrences of copper deposits can be divided into two main classes: (1) deposits in uplifting or downwarping areas on continental margins, such as the middle and lower Changjiang River, the Kangdian axis, the Yanshan Mountains, the Zhongtiaoshan Mountains and the like; (2) deposits along major faults in geosynclines, e.g. deposits in the Sanjiang River in the southwest, eastern Liaoning, and the Nenjiang area.

China's copper resources have the following characteristics: (1) The ores are of low grade. Most have a copper content of 0.6-1 percent, and a considerable proportion (primarily porphyritic copper ores) have average copper contents of less than 0.5 percent. (2) There are no extremely large deposits. Very few copper deposits in China have reserves exceeding 5 million tons, and the reserves of large copper deposits generally range from 1 to 2 million tons. (3) The construction conditions are poor at the locations of many large deposits. For example, several large copper ore occurrences in Xizang, Qinghai and Yunnan are in out-of-the way locations where communications are difficult, while the copper deposit at Dongguashan, Tongling, is at a depth of 600-800 m or more. (4) The reserve-to-production ratio for China's copper ores is high. (5) China's border areas are extensive and cut across

different tectonic elements, so that China has a wide variety of different copper ore types.

I. The main periods of China's copper mineralization were the Proterozoic and Mesozoic, followed in importance by the lower Paleozoic and Cenozoic.

Copper deposits that formed in the Proterozoic have a wide range of occurrence and are of diverse types; there are many large deposits. In the Kangdian area copper ores occur in altered sodic volcanic rocks produced during the Paleozoic (such as Dahongshan in Yunnan and Luodang in Sichuan), sedimentary-metamorphic copper ores in dolomites of the Kunyang group (e.g. Dongchuan and Yimen), copper ores of the middle Proterozoic Tongkuanggu and Bizigou formations in the Zhongtiaoshan Mountains of Shanxi; copper-polymetal ores produced in the Zha'ertai group in the Langshan area of Nei Monggol; and copper ores of Proterozoic basic rocks in the Riyueshan area of Qinghai.

The copper ores emplaced during the lower Proterozoic are associated with marine volcanic rocks and occur primarily in the Qilianshan fold system, e.g. the Baiyinchang copper deposit.

In the middle and upper Paleozoic (Hercynian period), porphyritic copper deposits (such as the Duobaoshan deposit) formed in the Nei Monggol-Da Xing'anling area. Copper-nickel ores associated with basic rock occur in Sichuan.

In eastern China, many copper deposits are closely associated with acidic intrusive rocks of the Yanshanian period. Examples are porphyritic copper deposits in northeastern Jiangxi Province, skarn copper (or copper-iron) deposits of the middle and lower Changjiang River, and skarn and vein copper deposits of the eastern section of the Northeast and the Yanshan and Nanling Mountains. In addition, sandstone copper ores occur in the Cretaceous deposits of the Huili-Dianzhong Mesozoic basins of Sichuan.

Most copper ores of the Himalayan period occur in the Sanjiang Folded Belt in the southwest, for example the Yulong copper deposit. Rather small sandstone copper deposits have been discovered in Hunan.

II. The principal types of copper ores in China are porphyritic, skarn, sedimentary-metamorphic, copper-nickel sulfide, and marine volcanic deposits, the proven reserves in which represent 45, 28, 12, 8.2 and 5 percent respectively of total national reserves. In addition, there are copper-containing sandstones, hydrothermal veins, and solution-cavern accumulation copper ores. The range of ore types is essentially complete: all of the main types of copper ores found throughout the world have been found in China.

A. Porphyritic Copper Ores. The world's three large porphyritic copper ore belts all extend into China.

1. The West Circumpacific Outer Island-Arc Belt. This belt extends from the East Sayan area in the Soviet Union through East China, including the Yanshan and eastern Qinling Mountains, the middle and lower Changjiang River basin, northeast Jiangxi, the Zhejiang-Fujian-Guangdong coastal area, and the

northern Guangdong-Yangchuan area. It contains many famous porphyritic copper deposits, such as the Dexing and Chengmenshan deposits. Porphyritic copper ores have also been found in the East Taiwan Geosynclinal Folded Belt, which is part of the West Circumpacific Inner Island-Arc Belt.

2. The Mediterranean-Central Asia Metallogenic Belt. This belt enters southwestern China and runs along the Yalucangbu River and the Sanjiang-Ailaoshan Folded Belt. The famous Yulong porphyritic copper ore belt is in the central section of the Sanjiang Folded Belt.

3. The Paleasiatic Ore Belt. This belt passes through China's western frontier and runs from the northern edge of the Dzungarian Basin in Xinjiang and the northern Tianshan Mountains eastward along the Tianshan-Beishan Folded Belt and the north side of the "Nei Monggol Axis" to the Daxing'an Folded Belt. Large porphyritic copper deposits have already been found in the USSR and Mongolian sections of this belt, e.g. the Kewenglade deposit (Soviet Union) and the E'erdepuyin'ebo deposit (Mongolia). Large-scale porphyritic copper (or molybdenum) deposits belonging to this belt in China include the Duobaoshan copper deposit and the Wunugetushan copper-molybdenum deposit.

The times of formation of the porphyritic copper ores are closely related to the corresponding tectonomagmatic movements; the porphyritic deposits of the Paleasiatic ore belt in China are of Variscan origin, those of the West Circumpacific Outer Island-Arc Belt are of Yanshanian origin, and those of the Mediterranean-Central Asian Belt are of Himalayan origin.

B. Skarn Copper Deposits. These are China's main commercial copper ores, and they include many large deposits. They occur in the middle and lower Changjiang basin, the eastern section of Northeast China, the Yanshan and Nanling mountain areas and the Southwest.

Middle and Lower Changjiang Region. This is China's more famous copper ore belt. Structurally it is part of the Changjiang Platform Folded Belt. Neutral and acidic Yanshanian rock bodies are extremely widespread, and rather high-grade skarn copper or copper-iron ore bodies of rather complex form have developed at their contacts with carbonate rocks. The Carboniferous Huanglong and Chuanshan deposits, the Permian Xixia deposit, and the Lower Triassic Daye and Qinglong limestones (and dolomitic limestones) all are country rock favorable to metallogeny. Known deposits are concentrated primarily in the Daye-Yangxin, Jiujiang and Anqing-Tongling areas. These will be focal areas of further ore surveying.

The Yanshan Area. This is part of a Proterozoic subsidence belt on the northern margin of the North China Platform. In the Yanshanian period, neutral and acidic intrusive rocks were extensively distributed along faults at the continental margin. Medium to small-size skarn copper (or copper-nickel) deposits formed at their contacts with the dolomites of the Wumishan formation. This is an area that must not be neglected in future copper surveys.

The Taihangshan Mountains. Structurally this area is a secondary uplifting area of the North China Platform where neutral and acidic intrusive rocks were

distributed along faults trending north-northeast during the Yanshanian period, and skarn (iron-copper) ores formed along the contact with the Ordovician Majiagou limestones, e.g. the copper ores of the Lingqiu (Shansi)-Xiayuan (Hebei) belt; they are generally of small size.

**The Nanling Area.** This is one of China's most famous nonferrous metallogenic belts. Most of the copper ores are in the south Hunan-north Guangdong-north Guizhou Paleozoic downwarp zone. Within this zone, copper ores or copper-polymetal deposits, sometimes of rather large scale, formed at the contact of the Yanshanian neutral and acidic intrusive rocks with the Donggangling limestones and those of the the Shidunzi formation. Consequently, the major focus should be on copper when surveying for nonferrous metals in the Nanling area.

**Eastern Jilin and Heilongjiang area.** This refers to the downwarp zone south of the Jilin-Heilongjiang Folded Belt. Variscan and Yanshanian neutral and acidic intrusive rocks are extremely widespread there, and many medium and small-sized skarn copper ores have formed at their contacts with Carboniferous and Permian limestones.

Skarn and porphyritic copper ores commonly occur together in the same ore regions, e.g. in the Yumenshan copper deposits and the Yulong copper deposits. Consequently, an effort should be made to find porphyritic copper ores in areas favorable to the development of skarn copper ores, and evaluation of the mineral content of rock bodies should be stepped up.

**C. Sedimentary-Metamorphic Copper Ores.** Considerable amounts of copper ores in China occur in the Proterozoic sequence. In terms of the lithologic characteristics of the ore-containing rock, these can be further subdivided into marine sandstone-shale deposits and marine carbonate deposits.

The marine sandstone and shale deposits occur primarily in uplifted areas along the margins of the North China Platform. Examples include the copper-polymetal deposits of the Langshan area of Nei Monggol, occurring in the Proterozoic Langshan and Zha'ertai groups, and metamorphic rocks consisting primarily of schists and phyllites with gneiss and mica partings. In addition, some of the Bizigou-Hujiaju copper ores of the Zongtiaoshan Mountains were produced in the Zhongtiao series of the Bizigou formation; this is a clastic sequence consisting primarily of mudstone and semi-mudstone that is called the "copper containing black schist structure." The forms of the ore bodies are strictly controlled by the stratigraphy, but are rather complex.

The marine carbonate copper ores appear primarily in southwestern China. The deposits were formed in the Proterozoic Kunyang group and the mineralization is concentrated in the light-colored strata of the light blue transition belt; the ore bodies are generally stratified. These copper ores are widespread in the Dongchuan, Yimen and Dianzhong areas in Yunnan and the Tong'an area in Sichuan, constituting one of the main commercial copper deposit types in China.



D. Marine Volcanic-Rock Copper Ores. The marine volcanite copper ores that have been found thus far in China are rather old, and the volcanic rocks are considerably altered. The marine volcanic copper ores in the "Kangdian Axis" of southwestern China (such as the Dahongshan deposit in Yunnan and the Luodang deposit in Sichuan) arose in Proterozoic altered sodic basic volcanic rocks. The upper Proterozoic and lower Paleozoic sequences in geosynclinal folded belts of western China, i.e. the Qilianshan, Qinling and Longmenshan Mountains and the like, contain numerous basic-to-neutral and acidic volcanoclastic sediments, with some copper mineralization and copper deposits (Baiyinchang, Honggou, Liushan'ai and the like). Analysis of the metallogenic conditions indicates great promise for the search for marine volcanic copper deposits in southwestern and western China. Because volcanic copper deposits have not been studied in detail and there is little understanding of the volcanic mechanisms involved in copper mineralization or of the metallogenic mechanisms, we should start by intensifying basic geological work on volcanic rocks and step up research on the mineral content of promising areas in order to advance the copper surveying activity.

E. Copper-Nickel Sulfide Ores. Copper-nickel sulfide deposits develop in basic rock bodies, which occur primarily in the Qilianshan, Tianshan and Zhunhe'er northern margin geosynclinal folded belts. Of secondary importance is the Liaoning-Jilin Folded Belt area. In recent years the Chibosong copper-nickel deposit has been discovered in Jilin, the Kelatongke copper-nickel deposit has been found on the northern edge of the Zhunhe'er in Xinjiang, and copper-nickel ores have been found in the Hami area. Surveys should therefore be made of basic rock bodies.

F. Sandstone Copper Ores. Ores of this type account for a very small percentage of the total in China, occurring only in the Mesozoic basins on both sides of the "Kangdian Axis" and in certain basins of Hunan. The ore-containing strata are a continental group of varicolored sandstones which were metallized in the Cretaceous-Tertiary periods. Analysis of the metallogenic conditions in the basin indicates that while there is still a possibility of finding large and medium-sized ore deposits in the Dianzhong Basin, the other basins lack the conditions for the formation of large and medium-sized deposits.

As the abovementioned analysis of the geologic conditions for metallogeny indicate, the prospects of copper ore surveying are excellent. But different regions should have their own specific main approaches: in the middle and lower Changjiang Basin, the Yanshan area, the Nanling area and the eastern section of Northwest China the main focus should be on skarns with some attention to porphyritic copper ores; in the Sanjiang area, the Nei Monggol-Daxing'an area and northeastern Jiangxi the main focus should be on porphyritic rocks; in the Qilianshan, Nei Monggol and Xinjiang volcanic rock areas the main focus should be on finding marine volcanic copper ores; and in the areas of occurrence of basic rock in Xinjiang and Gansu the main focus should be on finding copper-nickel sulfide deposits.



### III. Copper Surveys

China's current copper resources fall short of its long-term construction needs. The shortfall will be excessively great after the year 2000. In order to effectively prepare the resources for construction a decade in advance, starting with the Seventh 5-Year Plan copper ores will be classified as an important object of solid-mineral surveys. All of the province mining offices must both maintain their existing copper ore surveying personnel and suitably strengthen their survey manpower in certain key copper survey areas. When making up the list of activities, they must make an effort to include copper survey work in areas that are favorable for copper mineralization.

As the number of shallowly buried deposits decreases, ores are becoming more difficult to find and are more deeply buried, and the ore-finding cycle has lengthened; especially in the rather thoroughly worked eastern sections, the main task is to find and evaluate blind deposits. To enable copper surveying to achieve more outstanding results, efforts in the following areas must be intensified.

A. Strengthening basic geological work and performance of large-scale mineralization forecasting. In promising sections of ore belts, planned 1:50,000 regional surveys or general surveys must be performed; where possible deep geological studies should also be performed to clarify the regional geology and the main features of the regional geological structure of the belts. On the peripheries of thoroughly worked old ore areas, three-dimensional mapping may be performed, followed by 1:10,000 or even larger-scale mineralization forecasting connected with specific ore-controlling factors and metallogenic information.

B. Continued and Strengthened Surveys of the Peripheries of Old Ore Areas. These areas have rather good metallogenic conditions and have been thoroughly studied geologically, and large amounts of prospecting information are available on them, so that the possibility of finding ores is great; examples are the discovery of the Shitouju, Linihu and Jiguanju large and medium-sized deposits on the periphery of the Tonggongshan area. In addition, the Dongguashan large skarn copper deposit has recently been found in the Tongling area. In terms of development of the national economy, because the areas surrounding old ore areas have conditions favorable for construction and the social and economic benefits are excellent, intensified surveying in the areas surrounding old ore districts is an urgent necessity.

In the case of certain areas that have been little worked in belts containing old ore districts and which have good mineralization conditions, the groundwork must be laid for a survey. Because the basic geological conditions are the same, it will be possible to apply ore prospecting experience from the old ore districts.

C. Intensified Research and the Opening Up and Exploration of New Areas. Major breakthroughs must be made in copper surveying and reserves must be greatly increased; it is insufficient merely to work in old ore districts. Macroscopic analysis indicates that favorable mineralization conditions for porphyritic copper ores, sedimentary-metamorphic copper ores and marine

volcanic copper ores occur in large areas of China. Although some large deposits have been found, most areas with favorable mineralization conditions have been little worked or studied. Consequently we must intensify research on geological problems closely related to mineralization, such as identifying the structural conditions governing the distribution of ore-containing porphyry bodies in porphyritic ore belts, the study of marine volcanic belts and related deposits, and the study of ore-containing strata in areas with Proterozoic strata; these activities will result in selection of the most promising areas for surveying.

D. Multidisciplinary Prospecting. In the future, prospecting in eastern China and in the areas surrounding old ore areas will focus on blind deposits. We must therefore make thorough use of information from physical prospecting techniques in combination with geological analysis if we are to achieve optimum ore prospecting results.

To summarize, the prospects for the search for copper resources in China are good, but the copper survey tasks are extremely arduous. If we persist in allocating our copper survey work effectively, in accordance with objective laws, we are sure to achieve excellent geological prospecting results.

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## SMALL-SCALE ENTERPRISES

### CURRENT PROBLEMS IN DEVELOPMENT OF TOWNSHIP, TOWN ENTERPRISES

Chengdu CAIJING KEXUE [FINANCE AND ECONOMICS] in Chinese No 6, 1985 pp 18-24

[Article by Liu Qiuhuang [0491 4428 4625] and Xie Leru [6200 2867 1172]]

[Text] Township and town enterprises have played and continue to play an enormous role in China's socialist economic construction for achievement of a quadrupling of the gross value of industrial and agricultural output and rapid achievement of the "four modernizations." At the same time, they also are of strategic significance in construction of a socialist economy of a particularly Chinese character.

These enterprises are an important part of China's national economy. They have played an increasingly larger role in rationalizing industrial structures in rural areas and absorbing a large amount of labor power.

Development of these enterprises promotes the transition from self-sufficient and semi-self-sufficient agricultural production to commodity production and the transition from traditional agriculture to modern agriculture. They provide benefits by accumulating capital for agricultural modernization. They help rural areas overcome their poverty and backwardness, and they play an inestimable role in gradual construction of new rural areas with socialist material and spiritual civilization.

Development of these enterprises also provides important support for cooperativization of rural areas and for consolidation and development of the socialist rural cooperative economy.

Development of these enterprises is the correct route to take for building small cities and towns and for gradually reducing and eliminating the three major distinctions [between town and country, industry and agriculture, physical and mental labor].

In summary, development of township and town enterprises has made everyone realize their important position and role in China's society and development of the national economy.

The gross value of output in China's township and town enterprises in 1984 was 15 billion yuan, up by 23 percent over 1983, which is a high rate of development.

Despite the fact that township and town enterprises have developed at an alarming rate since the 3d Plenum of the 11th CPC Central Committee, this process of burgeoning development has raised many issues related to reforms in management systems, enterprise capital raising, development of rural household enterprises, improvement of the economic results of enterprises and so on that require additional summarization and exploration. Because the enterprises include those in production, circulation, services and other areas, this article will focus its discussion on township and town industries and they will be discussed separately below.

## I

Reforms in management systems in township and town enterprises play a key role in their development.

Township governments throughout China now manage these enterprises in two basic patterns: as township and town enterprise management offices and as township and town industry companies. They are different in form but their essence remains management by administrative authority at the township and town level. This type of management system failed to distinguish between government and business and now is being reformed.

Some township and town enterprises were converted from the commune-run enterprises of the past. In terms of ownership, they are owned by all members of a township or village under a collective form of ownership. After implementation of systems of output-related systems of contracted responsibility in agriculture, these commune-run enterprise were turned over to commune members for contracted administration. The result is that ownership rights and management rights are even more detached. The former People's Communes combined political and social affairs, but they have been pushed from the historical stage by the establishment of township and town administrative authority. The former commune-run enterprises became township and town enterprises. Township and town governmental authority, however, is a single-level state organ with administrative authority, so the enterprises are under the leadership of township and town governments. Moreover, they appeared with the qualifications of a contractee and the income earned in the enterprises was used for the various expenses of township and town governments. Very little was used for enterprise development. In this manner, the enterprises actually came under the ownership of a single level of state administrative authority, township and town administrative organs. People have come to call them the township and town "ownership by the whole people" economy.

Because the enterprises were considered the property of township and town governments only, they appeared with the qualifications of a contractee, so some township and town governments have treated them as a "money tree" that they can "shake" themselves. The result is that contracts signed with

contractees contained a policy stipulation: township and town governments can take only 10 of pre-tax profits from township and town enterprises to use for their own expenditures. Actually, some township and town governments have not stopped at additional extractions from enterprise contractual profits and even have taken all their profits, and governments have used the pretext of unified arrangements to collect enterprise depreciation funds and major repair funds for township, village and market town construction, educational expenses and so on. When the income of a township and town government cannot cover its expenses, they demand it from township and town enterprises. Although these expenses in township and town governments are extremely necessary, the result has been that self-transformation and self-development in the enterprises has vanished in smoke. Although many enterprises earn a profit year after year, they can convert very little of it into accumulation for developing production and some are even unable to sustain simple reproduction.

If we look at its historical origins, the township and town level of administrative authority was built on the foundation of People's Communes. The People's Communes were a single-level administrative organ as well as a form economic organization, and they combined political and socioeconomic functions. The situation of one body with two tasks has not been completely transformed following establishment of the township and town level of government and the lack of clarity concerning the nature of township and town enterprises has led some to treat them as being owned by the township and town level of government, leading them to engage in casual extortion and indiscriminate egalitarian transfer of resources, and they made them their main source of income. This sort of management system does not encourage the initiative of employees nor is it conducive to enterprise development. It should be reformed.

Reforms in management systems in township and town enterprises should be based on their characteristics of and start with current realities to meet the needs of development. We certainly must guarantee that there will be no change in the system of collective ownership over township and town enterprises and that we protect their legitimate interests. This is a general principle.

First, reforms should simplify government and transfer authority to separate government and enterprises. The government is the government and enterprises are enterprises. With the exception of collecting their 10 percent expenses from the enterprises, township and town governments should not interfere excessively in the actual management activities of the enterprises. Enterprises should be managed independently. It is not, however, that township and town governments do not do anything and abandon their leadership. Instead, it requires them to focus their efforts on survey research to coordinate all areas well, carry out investigation and supervision of the enterprises, be concerned with economic information, develop new products, import new technologies and other macroeconomic issues. This is one aspect of the separation of government and enterprises.

In another age, we should establish an organization that breathes the common lifeblood of township and town enterprises to protect their legitimate interests. It isn't important whether these organs are called township and

town enterprise offices or township and town industry companies. The main responsibility of these organs should be to manage the property of the enterprises and redistribute the profits turned over by them. They should own the property of enterprises and represent the interests of all the people of a township. The enterprises should establish contracted responsibility with these organs. With the exception of taxes and the 10 percent fees collected by township and town governments, the profits earned after establishment of contracted responsibility are redistributed a second time by the enterprises. We should stipulate that about 60 percent or at least no less than 50 percent of the remaining portion must be turned over to these organs as a fund for developing production throughout the village and as industrial contributions to assist agriculture. One part could serve as an enterprise development fund to expand reproduction within the enterprise itself. Another part can be used for collective welfare for the enterprise. If people have bought shares, then a portion must be deducted for share dividends. Only then does the remainder function as enterprise bonuses, and the bonuses should be awarded according to the quality of labor. This separates enterprises from administrative authority and the responsibilities of government and enterprises are clearly delineated. After expansion of their decision making rights, the enterprises will be more capable of self-management and the management activities of the enterprises will be linked organically with enterprises development and the interests of its employees.

Second, capital accumulation by an enterprise for technical transformation, equipment renewal and expanded production should become an extremely important route and it is made essential by the nature of the enterprises themselves. Township and town enterprises must depend on themselves to accumulate capital and the principle of consideration for all three sides should be followed in distribution. The current tight money market will make the transition difficult, so vigor and development should be sought from the "tightness." In the long term, this is the only thing that will permit health development of the enterprises.

Third, we must guarantee smooth progress in reforms in management systems in the enterprises and resolve the economic problems of the township and town level of administrative authority. Township and town governments are the basic organs of state administrative authority. "The sparrow may be small but it has all the vital organs." Expenses are large and incomes are extremely small. Although they have the 10 fee turned over by township and town enterprises, income cannot keep pace with outlays, which forces them to place demands on the enterprises. This is a well-known secret. A solution to this problem not only requires staff reductions and administrative simplification at all levels to reduce expenditures but also demands that financial administration be established at the township level. This can perfect township and town government skills and make full use of their role in using financial policy skills to guide the economy, but even more important is the fact that it can provide the governments with a proper source of income and economic strength. Only then is it perfectly justified to support township and town enterprises, carry out rural and small town construction and set up all types of public welfare activities.

Fourth, reforms of management systems in township and town enterprises and protecting their collective ownership nature requires concern for another issue, the relationship between contractor and contractee. After assuming contractual responsibility for an enterprise, the contractor has management and utilization rights over the property of the enterprise. Concretely speaking, the contractor has decision-making rights over the manpower, finances and materials of the enterprise as well as over its production, marketing and sales. Only then do they have the freedom and the will to manage the enterprise well. It should be clear, however, that the contractor is only the manager of the enterprise, not its owner, so contracted responsibility does not involve a transfer of ownership. There can be absolutely no doing as one pleases and arbitrary action without party leadership, and there cannot be a relationship of hired labor between themselves and their employees. That would be impermissible. The inevitable outcome would be to damage the initiative of employee and it would negate the collective economy. For this reason, reforms in management systems in enterprises with the proper conditions should involve election of employee representatives. The major administrative principles, factory rules and laws, and management decisions should be submitted to an employee congress by the manager or director for discussion and appraisal to embody fully the status of the employees as the masters of the enterprise and make it possible to achieve good enterprise management.

## II

Capital determines the pace and scale of development of township and town enterprises. Since implementing output-related systems of contracted responsibility in China's rural areas, the peasants have left their food and clothing problems behind and have achieved a preliminary solution to the food and clothing question. Although they have varying amounts of extra cash, they cannot be considered wealthy in the overall sense, so one reason for establishment and development of township and town enterprises is to satisfy the need for eliminating poverty and making the peasants prosperous.

Township and town enterprises have developed at a burgeoning pace in recent years, and the momentum in 1985 is unfolding. Besides its flourishing vitality, this situation also requires support by the state in all areas. This is especially true of state allocations of the relevant loans that play an even more enormous motivating role. During the first quarter of 1985, for example, loans to these enterprises were up 3.2-fold over the same period in 1984 and have exceeded the total planned annual increase in loan allocations by 20 percent.

To permit stable, sustained and coordinated development of the national economy, the development of township and town enterprises should start with the overall developmental situation in the national economy to deal correctly with the relationship between the parts and the whole and between needs and possibilities. With this prerequisite, the state has adopted measures to tighten the money market for enterprises and is placing stricter and stronger controls on loans to them. This has meant that enterprises which



formerly had quite sufficient capital have encountered capital shortage problems in their development.

Correct handling of the contradiction between enterprise development and capital shortages first of all requires that we educate cadres and the masses in an comprehensive viewpoint, encourage the spirit of self-reliance and move enterprise development onto the road of capital self-collection as the main force and bank loans as the supplement.

Since the second quarter of 1985, rural areas throughout China have developed mass social capital raising activities for township and town enterprise development on a wide scale. Enormous achievements already have been made. Hunan Province has collected more than 600 million yuan and Sichuan's Nanchong and Qionglai Counties alone collected over 10 million yuan and in capital in a short period of time. This has alleviated the contradiction between enterprises development and the capital shortage to a certain degree.

In the mass capital raising activities, various places have adopted measures like permitting those with either capital or labor to enter the enterprises, investing in shares, importing outside capital (including within and outside a county or province and from within China or foreign countries) and so on. In addition, the enterprises can be cleaned up internally in ways like dealing with material overstocks as quickly as possible and pressing for repayment of loans that are due to transform unused capital into active capital.

Practice in capital raising in rural areas across China indicates that both economic and administrative measures can be employed to raise capital. Examples include some counties that have established specialized organs to raise capital in rural areas, convened various types of conferences, organized mobilizations, assigned capital raising tasks according to villages and set time limits for their completion. The results and effects of using economic measures to raise capital in rural areas have been good, but the use of administrative measures to deal with economic problems inevitably has had negative outcomes. One effect is that rural savings decline significantly, which indirectly attacks the state's credit plans and causes losses in the state's plans to use rural savings to raise capital. In addition, it objectively weakens the state's ability to provide capital for rural construction and other purposes and it affects the situation in all activities in rural areas. The second problem is that it causes blind action in township and town enterprise construction projects and easily results in half-completed projects. Many enterprises fail to make plans when they get underway and go into operation as soon as they raise a little capital. They place their hopes for a solution to their capital needs on the flexibility of bank credit and financial investments. They themselves do not have enough of their own capital for backing. This makes it easy for them to flounder in midstream or end up in embarrassing dilemmas. The third problem is that this affects the enthusiasm of the peasant masses for participating in savings. Because capital collection is assisted by administrative measures, some of the masses are not very happy but still must participate grudgingly in raising capital.



Moreover, capital for township and town enterprises must fall within the scope of state loan stipulations and they must compete to obtain bank loan assistance.

Before issuing loans to the enterprises, banks should investigate carefully the situation for loan utilization, production management, economic results, developmental prospects and so on, after which they should make decisions according to importance and urgency to arrange them according to categories: Preferential allocations should be made for circulating capital of township and town enterprises that affect the people's production and lives. Focal allocations should be made for key enterprises that are managed well and have high economic results and which have the ability to repay as well as a developmental future. Enterprise that are poorly managed but which have a developmental future should be aided in setting up complete systems of regulations, and after waiting for obvious improvements, loans can be reissued. Credit usually should not be extended to non-productive projects. Not only should no credit be given to enterprises in which the collective or individuals have appropriated circulating capital, but repayment of the original loan and interest within a limited period also should be pursued. Those who do not repay according to schedule should receive sanctions through higher interest and other methods.

After employing various patterns and methods to raise capital, the key to the ability of township and town enterprises to achieve healthy development concerns how this capital can be managed and used well and ways to use it on the cutting edge. Practice throughout China indicates that the primary methods are:

1. To carry out survey research to determine the situation in all township and town enterprises. On this foundation, carry out scientific feasibility demonstrations for new projects. We should guarantee normal operation in enterprises that basically have been completed and which only require a small amount of circulating capital to make use of their benefits. Every effort should be made to provide assistance to enterprises in projects that are more than half-completed and which require small investments, have good sales outlet for their products and obvious economic benefits to permit their rapid completion and becoming operational. For enterprises that are about one-third complete, they can be shut down, combined or converted according to the actual situation. Enterprises that require large investments, provide results slowly and have no sales outlets for their products should be abandoned.
2. Reorganize the original enterprises according to the differing circumstances in each one. Assist them in putting their property in order and verify their capital. Establish complete management and administration systems, especially financial management systems. Assist the enterprises in exploiting potential, renovation and transformation to assure that their circulating capital is used promptly and rationally and assure that they are able to achieve the anticipated economic results.

### III

Township and town enterprises include not only township, village and team managed enterprises but also include enterprises run by associations of peasants who have pooled their capital for joint management or by household management. Now, enterprises managed by peasant associations and households have become an important aspect in the continued development of these enterprises. Their value of output accounts for more than 50 percent of the gross value of output in township and town enterprises.

Development of township and town enterprises is an important aspect of building socialism that is particularly Chinese in nature and achieving further invigoration of the rural economy. To be sure, development of such enterprises should involve simultaneous advance by commune-run, village-run, team-run, peasant association-run and household-run enterprises and these five "wheels" should turn together. If we consider the actual situation in China's vast rural areas, however, peasant association and household management (called rural household enterprises below) should be the main force.

Why should peasant association and household management be the predominant form at the present time? The reason is that rural household enterprises have enormous vitality. They can raise capital easily, are convenient to manage, are intimately related to the interests of the peasants themselves and have been deeply welcomed by the peasant masses. Most of them are handicraft workshops. The level of material technology is low, they can easily drop or shift products and they have a rather strong ability to compete in the market. They also benefit the state. If only we give them the needed support and correct guidance, it will be possible to encourage their development. The development of these enterprises also will provide the state with additional tax revenue.

Development of rural household enterprises benefits readjustments in industrial structures in rural areas. It encourages the conversion of the rural economy toward specialization. They change the direction of rural labor inputs and provide benefits in arrangement for surplus labor power. They aid in the development of vertical and horizontal economic linkages. Finally, they play a positive role in accelerating the rate of building material and spiritual civilization in China's rural areas.

If we consider their past, the ability of rural household enterprises to exist and develop in intense competition has been provided mainly by the following aspects:

1. High quality and inexpensive products first of all are indicators of China's goal as a socialist nation to improve the people's standard of living and adapt to production goals. As for their participation in market competition, they also are capable of gaining customer confidence for their products and have reliable means of assuring success in market competition. This is a firm basis for vigorous development of an enterprise.

Many of the products of township and town enterprises are of rather good quality but problems persist. Continual improvements in the quality of the products of these enterprises are possible if they receive leadership and attention and if their employees accept the ideology of "quality first," and if they formulate systems of regulations concerning product quality that function as operational standards for all employees and implemented strictly.

Besides their thig quality and inexpensive products, rural household enterprises also provide friendly service to customers and take sincere responsibility during market competition. This is simply the professional ethics of the employees of socialist enterprises. It also is a concrete embodiment of socialist spiritual civilization and an important means of assuring success for an enterprise in market competition. It includes aspects such as compliance and trustworthiness, earnest responsibility, full guarantees and so on. Of course, a service attitude of courteous treatment for customers, being certain to provide answers and an insatiable appetite for information and so on are another aspect of the friendly service provided by rural household enterprises.

## 2. Establish sales networks, seek out information.

Rural household enterprises embody the spirit of small profits but quick turnover. They set up sales networks based on needs and possibilities to sell their own products and corner markets through competition. At the same time, they seek out information according to changes in market supply-demand relationships, which makes it possible for them to formulate or revise production plans quickly to gain sales outlets for them and gain an important position in the market.

## 3. Establish systems of personal responsibility, practice distribution according to labor.

The need for scientific management in modern enterprises requires that clearly specified responsibilities with written systems of personal responsibility should be established within rural household enterprises. The members and rewards and punishments within the enterprise should achieve rewards for industriousness and sanctions for laziness and they should be strict and fair in meeting out rewards and punishments.

The actual content and methods of implementation for systems of personal responsibility can be dealt with effectively in the township and town enterprise system at the township and village levels. Distribution according to labor is an important aspect of dealing correctly with the relationship between managers and employees within an enterprise. Rural household enterprises have different numbers of peasants engaged in industry, so distribution according to labor still is important for dealing well with their relationship with the managers of the enterprise. Only in this way is it possible to achieve full motivation of the initiative of enterprise employees and joint management of rural household enterprises.

The concrete embodiment of distribution according to labor in rural household enterprise is found in the wages that the enterprise pay to their employees. We can use enterprise in Chengdu as an example. Their average monthly wages are around 70 to 80 yuan, but some may bring in as much as 150 yuan or more. Some earn about 200 yuan. These wage levels generally give enterprise managers and employees allow each to be prosperity provided for and allow them to live in peace.

In terms of the nature of their system of ownership, rural household enterprises are an individually owned economy under the multiple layers of socialism. The industrial peasants in these enterprises still usually can promote the development of the forces of production and add to the wealth of society. Furthermore, this arrangement can provide an outlet for surplus labor in rural areas, increase peasant incomes and improve their standard of living, which is no small feat.

As time passes, however, enterprise development will lead to differences between remuneration for labor and value created and between the incomes of enterprises managers, which is something that cannot be ignored. For this reason, the solution to these differences lies in whether or not correct intervention by the party and state will be able to achieve strict adherence to economic laws in managing affairs, using economic means to provide direction and having the industrial peasants in rural household enterprises use accumulation through their own remuneration for labor to develop gradually into a member of the socialist collectively own economy.

4. Support the principle of voluntary participation and mutual benefit, develop joint management.

Socioeconomic development and the needs for development of the rural household enterprises themselves make expansion and intersification of joint management an inevitable trend in the development of things. For this reason, rural household enterprises should make themselves the foundation for taking the route of joint management.

The growth and development of rural household enterprises has been developed through single forces and weak strengths, whether we are speaking of capital, materials, technology, equipment and the importation and utilization of skilled people. To change the situation of single forces and weak strengths in enterprise development, we must take the path of joint management. Otherwise, there will be no developmental future.

Joint management by peasant households can be defined as joint management that crosses regional, industrial and ownership boundaries, and it can involve verticle management of pre-production and post-production activities as well as horizontal management of a single activity. In summary, the management form adopted for joint management of rural household enterprises should be determined according to the time, location and activity, and they can be quite varied and should not be rigidly defined.

The need to have rural household enterprises take the road of joint management is that association on the basis of true voluntary participation and mutual benefits is essential as a form of joint management if they are to be vital at all. Otherwise, the joint management will be unable to withstand any problems. For the rural household enterprises that have grown up on the foundation of household management, China as a socialist state should satisfy objective economic laws and employ conscious influences and correct guidance, use stock shares and centralize various factors of production to take the road of cooperative management. Distribution according to labor should be the main practice between the managers and employees within an enterprise with stock funds and dividends being permitted as well. Although stockfunds and dividends do not come under distribution according to labor, they do encourage development of the social forces of production and can solve the capital raising and management scale problems of the peasant masses. Taking this sort of path for development of cooperative management in rural household enterprises can be perfected gradually during the development process and eventually can develop on the basis of true voluntary participation and mutual benefit into a perfect and out and out socialist collective ownership system.

#### IV

Generally speaking, the economic results of township and town enterprises are rather low. The level of economic benefits, however, is related directly to their existence and development. This makes improvement of economic results in these enterprises a key issue.

Improvement of economic results in these enterprises requires a focus on the following questions:

##### 1. Product quality.

The quality of some township and town enterprise products is rather poor. People do not welcome them if they are poor and they cannot be sold and become waste if they are extremely poor, so there would be no economic results to speak of. For this reason, the enterprises must strive in every way to improve the quality of their products and produce good quality and inexpensive products to meet the needs of society. At the same time, they are faced with competition with other enterprises. There is competition between township and town enterprises, between township and town enterprises and enterprises under ownership by the whole people and between township and town enterprises and enterprises under other economic forms. Moreover, products from township and town enterprises must break into international markets where the competition is even more intense. Competition between enterprises, however, basically involves competition between products. Products of poor quality that involve substantial waste and high costs cannot gain a favorable position in competition and may fail completely. Good quality products that waste little and high low costs are able to gain a favorable position in competition. For this reason, township and town enterprises should make quality the basis of their existence and pursue development on the basis of quality, use quality to

gain results and create even greater numbers of quality products if they are to be able to obtain the maximum economic results.

## 2. Import and develop skilled people.

Improving the quality of township and town enterprise products requires a certain technical force. The enterprises should make a firm decision to use a portion of their capital to make investments in knowledge, bring in talented people and provide good personnel training and scientific research work. They must have a certain amount of scientific and technical capabilities before they will be able to use new technologies to transform old equipment and adopt advanced technologies to improve product quality, transform and renew products and increase the number of product varieties to succeed in competition and improve economic results.

Jinniu District and Chengdu City has made some achievements in bringing in and training talented people as a way to improve economic results and is a good example. In 1984 the district adopted the five forms of "inviting, borrowing, engaging, recruiting and concurrent appointment" to bring in 639 talented people from Sichuan and other provinces. This brought new technologies into township and town enterprises and they developed new products. Moreover, they offered technical classes to the industrial peasants on fixed schedules and went on-site for special technical guidance. The strengthened technical forces and improved technical levels greatly improved the quality of many types of products and increased the number of the new products. Another example is products from the Yingmenkou Enamel Lamp Factory. They increased from six product varieties in 1981 to 208 varieties in 1984 that are sold throughout China. Their gross value of output rose from 70,000 yuan to 2.02 million yuan, a 26-fold increase. Their profits rose from 6,300 yuan to 250,000 yuan, a 4-fold increase. Employee incomes generally are around 150 yuan and they also have subsidized labor insurance. This illustrates the enormous role of skilled personnel in making improvements in product quality and thereby improving economic results to permit an enterprise to flourish and develop.

## 3. Raise management standards in enterprises.

Management levels in township and town enterprises are rather low. Very few of the management cadres now working in the enterprises have an upper middle school education. More than 80 percent have only a middle school or elementary school education. Many cadres do not understand technology and bookkeeping, and some cannot even read reports or diagrams. A substantial number of enterprises still have not implemented economic accounting and financial analysis systems. Most accountants in the enterprises act only as recordkeepers. This sort of situation is the result of many causes. Over the past 2 years, enterprises have focused on importing and training technical personnel. They have ignored importation and training of management personnel and cannot clearly discern the boundary between enterprise contracted responsibility and enterprise management. They have the mistaken understanding that contracted responsibility for an enterprise and motivation of worker initiative involves only good management. It should be noted that



management is a science. If we wish to improve economic results and permit China's economy to take off, we of course cannot become detached from science and technology, nor can we become detached from scientific management. Having only advanced science and technology without advanced scientific management would mean that the advanced technology could not play its role well for fully. We must take heed of science and technology as well as scientific management before we can have an economic take-off and permit township and town enterprises to play an even greater role in the national economy. Improvement of the management levels of enterprise cadres and strengthened enterprise management are important aspects of improving economic results at the present time.

#### 4. Note the role of markets.

Improvement of the economic results of township and town enterprises requires close attention to markets. Production in the enterprises is commodity production and is subject mainly to market regulation. The value of products appears only when they pass through the market. This is especially true of those commodities that are subjected mainly to market regulation, for which the relationship between supply and demand in the market has a substantial effect on the price of the commodity. This means that their effect on the economic results of an enterprises are rather great. There are many examples of enterprises that were saved by a single piece of information. A single piece of information led to obvious economic results in Wenjia Township's Hongzhan Shoe Factory in Jinniu District of Chengdu City. This shoe factory is a village-run enterprise with 310 employees. They learned at the end of 1983 that output of riding boots would be insufficient to meet demand. They decided (promptly) to convert some of their forces to production of riding boots. They earned 90,000 yuan in profits from men's and women's tall and short riding boots alone. We can see from this that frequent investigation of market supply and demand conditions and prediction of consumption trends for readjustment of product structures is an extremely important link for satisfying the needs of the people and improving the economic results in township and town enterprises.

The economic results of township and town enterprises are low at present, and this is an objective fact. The issue is how we should deal with it. Should low economic results be used as a pretext for negating the enterprises? Or should we provide active support and assistance in all areas to improve their economic results and permit them to play an even greater role in the national economy, in the intergration of agriculture and industry, in making our people and our nation prosperous and in the process of eliminating the differences between town and countryside? The correct answer, of course, is the latter, not the former.

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SMALL-SCALE ENTERPRISES

ON DEVELOPMENT OF GANSU'S TOWNSHIP, TOWN ENTERPRISES

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 12 Feb 86 p 1

[Article: "Gansu Province Welcomes Chinese and Foreign Investment Cooperation; Use Township and Town Enterprises as the Breakthrough Point To Foster Comprehensive Development of the Rural Economy; Jia Zhijie, Deputy Secretary of the Gansu Province CPC Committee, Discusses Issues in the Development of Gansu's Township and Town Enterprises With Our Reporters"]

[Text] Jia Zhijie [7328 1809 2638], deputy secretary of the Gansu Province CPC Committee, pointed out recently in conversations with ZHONGGUO XIANGZHENQIYA BAO reporters that efforts over the past 1 or 2 years and sustained adherence to the principle of using township and town enterprises as a breakthrough point for fostering comprehensive development of the rural economy have led to rather significant development of these enterprises in Gansu Province. Deputy Secretary Jia Zhijie also pointed out that China has adopted an open-door policy that permits foreigners as well as fraternal provinces and municipalities to come to Gansu and engage in cooperative management or joint management with publicly-owned enterprises as well as with township and town enterprises. Gansu welcome foreign and Hong Kong businessmen to invest in Gansu, and especially welcomes technical personnel and other talented people to come to Gansu and work.

In a discussion of Gansu's resource advantages, Jia Zhijie said that Gansu is especially rich in mineral resources and has many ore locations with full product complements and wide distribution. There are many "chicken coop mines" [small mines] that are especially suited to management by township and town enterprises. Non-ferrous metals are one of Gansu's greatest advantages. Gansu ranks among the top five in China in 14 of 25 types of proven mineral products like lead, copper, zinc, antimony, and so on. Gansu also has 64 types of proven construction material resources. It has the largest bentonite reserves in China as well as rich reserves of marble, serpentine, and limestone. Moreover, Gansu has a wide variety of agricultural, sideline, and local products like potatoes, broad beans, apples, lilies, bailan melons, Chinese herbal medicines, and so on. More than 982 types of Chinese herbal medicines already have been confirmed, so there is major potential here. In addition, Gansu also is working feverishly to develop furs, eggs, milk, poultry, meat, and other animal products and a large amount of timber.

Gansu Province has an ample rural labor force, about one-third of which can work in township and town enterprises. Another of Gansu's advantages is sufficient energy resources. All of these things provide the material foundation for development of township and town enterprises.

Jia Zhijie said that Gansu has a large land area and rich natural resources, so why have these enterprises just begun to develop? The reason is that there have been some delays in dealing correctly with the relationship between "no prosperity without industry" and "no stability without agriculture." Over the past 2 years and under guidance by CPC Central Committee Resolutions 1 and 4, all areas of Gansu Province have focused on township and town enterprises, and gross incomes have doubled compared to 1984. This shows fully that stronger leadership by the Gansu Province CPC Committee and a conscientious focus on CPC policies can double the value of output in the enterprises.

When discussing work in township and town enterprises in Gansu in 1986, Jia Zhijie said that we should take action to develop diffused joint management, strengthen cooperation and importation within China and abroad, and focus on building and sustaining projects for a group of products that are "short-term, stable, and fast" and "famous, superior, and special." In 1986, we must work on the "five 100 projects," which refers to 100 diffused joint management projects, 100 cooperative projects, 100 technology import projects, extension of 100 "short-term, stable, and fast" S&T projects, and 100 projects for "famous, superior, and special products." Planning departments at all levels should make a list of enterprises for preferential supplies by material and other relevant departments.

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## SMALL-SCALE ENTERPRISES

### CONCERNING RURAL INDIVIDUAL ENTERPRISES

Beijing NONGCUN GONGZUO TONGXUN [RURAL WORK NEWSLETTER] in Chinese No 2,  
5 Feb 86 p 48

[Article: "Three Issues Concerning Rural Individual Enterprises"]

[Text] Our newsletter recently has been receiving letters from readers concerning the rather chaotic situation in management of rural individual enterprises. Some actions have violated the spirit of CPC Central Committee Resolution No 4 (1984) and some provisions in Resolution No 1. This makes it essential that the relevant departments take heed and formulate appropriate policies. This led us to visit the Township and Town Enterprise Bureau of the Ministry of Agriculture, Animal Husbandry and Fishery to ask Comrade Qu Yier [2575 0001 2480] some questions concerning rural individual enterprises.

[Question] What are rural individual enterprises?

[Answer] Rural individual enterprises refer to independent accounting economic organizations in which individual peasants engage in production and management activities. The enterprises are established through individual (and household) investments and the means of production are under individual ownership. With the exception of various taxes and fees stipulated in regulations, their net incomes are spent and used by individuals. They include enterprises in which only the members of investing and managing households participate in production and management as well as those enterprises which operate with hired labor as permitted by state policies. They must, however, meet the following conditions: 1) They must have fixed organizations, production sites and production equipment, and fixed personnel. 2) They must have an accounting system (with independent accounts and be able to calculate income, expenses and profits independently). 3) They must be in operation for at least 3 months out of the year, and they must have business licenses issued by local industrial and commercial administration and management departments.

[Question] Are rural individual enterprises included under township and town enterprises?

[Answer] CPC Central Committee Resolution No 4 (1984) stipulates clearly that "township and town enterprises refer to enterprises run by townships

and villages, to cooperative enterprises managed jointly by a portion of the members of a commune and to other forms of cooperative industries and individual enterprises." CPC Central Committee Resolution No 1 (1985) passed on a speech by Comrade Wan Li [8001 6849] at the rural work conference in which he emphasized that "it is wrong to consider only those collectively-owned cooperative enterprises that originally were operated by the masses in a township, village or team as township and town enterprises while failing to include or discriminating against enterprises established later by peasants who pooled their capital or who set them up themselves." It can be said, therefore, that rural individual enterprises (including individual industries, individual commerce, individual communications and transportation, individual construction, individual services, etc.) are an important part of township and town enterprises.

[Question] How can township and town enterprise management departments at all levels strengthen their guidance and services for rural individual enterprises?

[Answer] Rural individual enterprises have developed rapidly over the past few years under leadership by CPC principles and policies and through active support and correct guidance by party and government departments and by township and town enterprise management departments at all levels. For various reasons, however, township and town enterprise administrative departments in some areas have not focused sufficiently on management work for rural individual enterprises, so a situation of spontaneity, drifting along, and having no one to manage naturally exists in rural individual enterprises. This makes it urgent that we strengthen management over rural individual enterprises.

1. All areas should include individual enterprises when formulating plans to develop township and town enterprises, and they should provide additional guidance in developmental principles and management orientations.
2. On the basis of voluntary participation and mutual benefit, and in accordance with the need to develop production, use various forms of cooperation to move individual enterprises gradually onto the path of cooperativization for joint prosperity.
3. Provide pre-production, production, and post-production services to individual enterprises and assist them in solving real difficulties encountered during the production and management processes, and aid them in improving product quality and economic results.
4. Carry out education in administrative management, science, and technology, labor safety, and other areas in rural individual enterprises in a planned manner according to periods and groups to permit continual improvement in enterprise quality.
5. Strengthen supervision and educate individual enterprises that violate state policies and decrees or fail to observe professional ethics. Serious cases should be dealt with in conjunction with the relevant [legal] departments.

6. Protect the legitimate rights and interests of individual enterprises. Violation of the legal rights of individual enterprises, extortion and illegal apportionment, failure to serve them, collecting additional fees, and levying random fines on them must be halted.

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## SMALL-SCALE ENTERPRISES

### TOWNSHIP, TOWN ENTERPRISE DEVELOPMENT PRINCIPLES OUTLINED

Beijing NONGCUN CAIWU KUAJI [RURAL FINANCIAL ACCOUNTING] in Chinese No 2,  
6 Feb 86 pp 52-53

[Article by Bao Weihe [0545 4850 0735]: "Abide by the Developmental Principles of Township and Town Enterprises, Strengthen Management and Administration, Improve Economic Results"]

[Text] The Sixth 5-Year Plan has been an important historical period in the development of China's township and town enterprises. The gross value of output in these enterprises increased from 72 billion yuan in 1980 to 170.9 billion yuan in 1984, more than doubling in 4 years and an annual increase of 26 percent. The per capita value of output in township and village level enterprises increased from 2,167 yuan in 1980 to 4,042 yuan in 1984. The average per capita profits and taxes they created increased from 480 to 540 yuan. The value of output per 100 yuan in fixed assets increased from 201 to 316 yuan. The value of output in these enterprises as a proportion of the gross value of output in rural areas increased from 26 percent in 1980 to 34 percent in 1984. During the first 4 years of the Sixth 5-Year Plan, the enterprises paid a total of 22.8 billion yuan in taxes to the state, an amount that rose by an average of 37 percent each year. During the same period, the peasants received 76.5 billion yuan in [income and subsidies] distributed by the enterprises, an average of 27 yuan per person per year and 54 percent of the yearly increase in peasant incomes. The development of township and town enterprises has made them one of the main pillars of China's rural economy.

The guiding principle of the state for development of township and town enterprises at present is: active assistance, rational planning, correct guidance, and stronger management. Implementation of this principle down to the grass-roots level will require that the enterprises be given capital and material aid, personnel and technical assistance, and preferential tax treatment to create an environment of rather good existence, competition, and relative equality for their normal development.

Recent increases in raw material prices have increased costs in township and town enterprises. In such a situation, should we resort to successive price increases that lead to rises in product selling prices? Or, should we improve

management and administration and increase the internal ability of enterprises to "digest?" Generally speaking, the poor quality of township and town enterprises means that management and technical levels in many of them are rather backward. There is major potential, however, and routes to lower costs can be found merely through concern for stronger management and administration and a focus on exploiting potential.

First, we should improve systems of contracted managerial responsibility and increase enterprise vitality. Contracted responsibility indices should include: input and output, product quality, energy conservation, fixed assets depreciation, and so on. Contracted responsibility should involve level-by-level responsibility for workshops, work teams and individuals, and there should be checks and honoring of commitments.

Second, we should strive in every possible way to improve product quality and produce things that are useful to society. In the past, many township and town enterprises liked to do things on a grand scale and emphasized increases in value of output while they neglected product quality and economic results. Although an increase in the value of output in one sense may reflect an increase in social wealth, it cannot truly reflect an increase in social wealth. When the actual use value of a product is low or requires large inputs for few outputs, social wealth actually is reduced. Or, greater output of a poor quality product could lead to overstocks because of a lack of competitive ability so that the value of the product is never realized, meaning that consumption of materials and labor provided no benefits. Improvements in product is never realized, meaning that consumption of materials and labor provided no benefits. Improvements in product quality can create even greater wealth. They raise the use value of a product and they also are equivalent to a decrease in the consumption of live and materialized labor. When they have sales outlets, are of good quality and inexpensive, they provide economic benefits to the people. We should, therefore, implement the principle of quality first in our ideology and understanding and in systems of regulations to more township and town enterprises onto the path of a focus on improvement of economic results so they produce more and usable things for society.

Third, we must learn money management and utilization and reduce idle capital. Accelerate capital turnover and reduce the amount of capital on hand. These are essential qualities of a factory manager and accountant. The faster that capital turnover occurs in an enterprise, the lesser the amount involved and the higher the economic results. In contrast, increased expenditures raise costs and lead to slow product sales and overstocks. Capital turnover is sluggish, sometimes to the extent that they must rely on high interest loans to borrow circulating capital. This inevitably leads to capital idleness and high costs. As a result, township and town enterprises must solve the problem of the "three excesses," referring to excess capital on hand, an excess number of loans that must be collected and excess idle capital, and they must strive to put things in order and turn dead money into live money.

To manage and use capital well, we also must establish and perfect enterprise accounting, profit distribution and utilization and other systems to use the limited amount of capital in links with the most apparent economic results.



Finally, we should focus on market information and improve decision-making. What products to people want, and how many? Does market demand exceed supply, or does supply exceed demand? How high should prices be? All of these must be understood clearly first to provide guidelines. This is essential if we are to be able to organize production in a planned manner and satisfy the needs of society.

To achieve the goals outlined above, township and town enterprises should strive to strengthen leadership, establish and perfect systems of regulations and work for continual improvements in enterprise financial management, production management, quality management, technical management and other areas and achieve continual improvements in the level of management and administration. We must strive to overcome the working style of mutual comparison of indices, blind large-scale activities and indiscriminate use of finances to achieve a development pace with true economic results. This is especially true of the need to correct management ideologies and working styles. The small number of enterprises that have shown bad faith, ignored professional ethics or even violated laws and discipline should be reorganized to place township and town enterprises on the path of even healthier development.

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## LABOR AND WAGES

### SUCCESSFUL PROVISION OF INTERNATIONAL LABOR

Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 8, 10 Aug 85 pp 22-24

[Article by Pan Zuyong [3382 4371 3057], World Economics Institute, Shanghai Academy of Social Sciences: "Strategy for China's Development of External Labor Service Cooperation"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee, as China's external relations have steadily expanded, the scope of international labor service cooperation has also constantly enlarged.

In his work report to the 12th CPC Congress, Comrade Hu Yaobang pointed out that "instituting an opening to the outside world and expanding external economic and technical exchange in accordance with the principles of equality and mutual benefit is China's unswerving strategic policy." He also said that "Socialist modernization requires that we base ourselves on self-reliance, depending primarily on our own arduous struggle. This positively cannot be shaken. The goal of expanding external economic and technical exchanges is to strengthen self-reliance and give impetus to national economic development."

Clearly, institution of an opening to the outside world is a prerequisite for development of external cooperation in labor service, and realization of external labor service cooperation is an important integral part of bringing about a new situation. Every country, large or small, has its strengths and weaknesses. Development of external labor service cooperation on the basis of equality and mutual benefit both helps China's four modernizations and helps strengthen China's capabilities for self-reliance.

The four principles of "honoring contracts, maintaining quality, thin profits, and valuing integrity" are the tangible embodiment of the spirit of equality and mutual benefit, and the criteria for China's external economic development strategy. "Honoring of contracts" and "maintenance of quality" are necessary to the establishment of a reputation, and "thin profits" and "valuing integrity" are means used in professional competition, and they are also one of the ways in which our business style differs from that of capitalist countries.

To achieve the strategic goals in development of external labor service cooperation, I believe the following must be done during the 1980's: (1) Find means to increase to 1 million the number of personnel sent out for labor

service from the existing foundation. (2) In contracting projects, China's specialized companies should actively strive to enter the ranks of large international companies, thereby placing China in a position for new breakthroughs in the scale of contracts entered into, the amount of money, and the production of foreign exchange.

Realization of strategic objectives in external labor service cooperation requires that effective strategic actions be taken. An exposition of export strategy, market strategy and business strategy is provided below:

(1) Export Strategy. There are now more than 20 million international laborers throughout the world, yet China has sent out only 40,000-odd so far. This has included fewer than 2.5 percent of the number of people that Pakistan has sent to the Middle East and fewer than 3 percent of the number sent by India. This gives a general idea of the small proportion China has sent. Currently China is planning to increase to 1 million the number of labor service personnel sent abroad during the 1980's, and in view of China's manpower, this additional action will not be difficult to achieve. Our initial thoughts are: First, in view of requirements of the new situation, can consideration be given to a liberalization of restrictions on the hiring of labor service personnel to permit foreign corporations to come directly to China to hire labor service personnel? All that is needed to do this is official certificates from the target countries and permits issued by China's embassies in foreign countries, plus examination and approval by the provincial or municipal people's government concerned. Second, nowadays the international market places ever higher technical requirements on labor service personnel; labor quality has become a fundamental requirements that decides success or failure in labor service competition. Therefore, training and proper readjustment of the make-up of labor service personnel sent from China are essential and urgent. Formerly the labor service personnel that China provided were for labor intensive industries, mostly workers to build houses and construct roads. Labor intensivity was high and the foreign exchange created was low. Depending on ability and needs, in the future we should provide more technical personnel for technology intensive industries as well as specialists in single fields such as medical personnel, international seamen, horticulturists and agrotechnicians.

We are still in the initial stage of external project contracting. At present, except for the contracting of primarily labor intensive projects, subcontracting can be done to get a share of contracts on fairly high quality projects. Viewed from the long term, however, we must hasten the training of our own technical forces, gradually shifting the emphasis in the contracting of projects from the building of houses and construction of roads to large scale turnkey projects. This is the only way to meet current changes in the investment structure of international projects on which contracts are let and to open up situations for ourselves abroad. We believe current plans should be: (1) a strengthening of contract forces to upgrade vocational levels. The hiring of foreign engineers and managerial personnel can be used to improve management and to obtain technical information. (2) To avoid local market discrimination against foreign traders and to help along vocational development, joint enterprises and associated enterprises may be set up with contracting traders in the country of location.

(2) Market Strategy. Since the 1970's, Middle East oil exporting countries have let a substantial number of project contracts, and these countries have had fairly large requirements for a foreign labor force. Even though the slump in the world petroleum market of recent years has sharply decreased income flowing into the treasuries of Middle East oil producing countries, causing many countries to reduce investment in developmental capital construction and to intensify restrictions on the labor force from foreign countries; nevertheless, in global terms, the market still holds great prospects. Currently the Middle East region continues to carry out urgently needed projects according to plans. For example, under a revised five-year plan, Iran will spend \$167 billion on capital construction and national defense. To cope with war preparation requirements, Iraq intends to build a petroleum pipeline from Saudi Arabia to the Red Sea and a natural gas pipeline across Turkey. In addition, plans also call for projects in the chemical electric power, communications and transportation, and telecommunications industries. The six oil producing Persian Gulf states of Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman have most recently planned to invest approximately \$2 billion to build a highway from Basra in southern Iraq across Kuwait, Saudi Arabia, Bahrain, and Qatar to Muscat in Oman.

Right now China's contracting company is fairly active in the Jordan and Iraq market, but does not occupy a very large proportion of labor services in that region and awaits further development. Nevertheless, of interest is that some countries believe that China's capital, earnest money and wages paid to workers are all dependent on government support. To protect the interests of contractors in their own country, they go so far as to require that their own government limit China's entry into the contract market.

To summarize the foregoing, though the Middle East is still a market that cannot be ignored; nevertheless, given today's conditions, to concentrate total forces in the Middle East would not be wise; consequently, we have to gear ourselves for multilateralism in the external contracting market.

The first category of target for development is the southeast Asia market. This region is geographically close to China and has a substantial number of economic ties with China. Furthermore, the concentration of overseas Chinese and persons of Chinese ancestry runs to approximately 15 million people. They have considerable power locally and are enthusiastic about the motherland's endeavors. This is extremely favorable for China's entry in that region's markets. Right now, the countries of southeast Asia are in the midst of vigorous promotion of internal construction. Reportedly, Malaysia contracts projects worth more than \$2 billion annually, and Philippine investment in the social development sector is approximately \$2.987 billion. In Singapore, in particular, the amount of projects contracted amounts to \$5 billion annually. In recent years, its construction industry has become a high speed growth economic sector. The Singapore government has opened up the construction market to foreign contractors to spur improvement in the construction industry. Furthermore, because of the take-off of Singapore's economy, there is a serious labor shortage, which holds an attraction for countries that export labor service.

Second is the African market. China sowed the seeds of friendship in many African countries in the past through foreign assistance projects, and this has paved the way for China's entry into the African labor services contracting market. Each of the countries in the region has economic development plans of different sizes, but they particularly need skilled and semi-skilled workers and technical personnel. For example, nine countries in southern Africa have formed a regional organization, the "Southern Africa Development Coordination Conference," which formulates long-term comprehensive economic action plans. As another example, 16 west African countries also rely on regional organization to put up capital to build various kinds of development projects. Moreover, many of these countries continue to receive financial support from international organizations or from a third country. Their construction projects are usually on a medium or small scale and a medium level of technology, which is rather suitable for the present strength of China's technology and equipment.

(3) Business Strategy: 1) Problems in the management system. Each of China's foreign trade companies and economic and technical cooperation companies were founded at different times and their economic methods and strength differ as their personnel and their location differ. As a result, the current situation in each company is complex and varied. Some companies have yet to be run as independent economic entities in which rights and responsibilities are part of a totality. They have not set up internal economic responsibility systems; they do not include full staffs of permanent cadres for engineering technology, administration and management, law, submission of tenders or translation. Their operating efficiency is low; information is hard to get at, and reaction is slow. Such an antiquated operations structure gets in its own way in contending with large international contracting companies. Therefore, their internal organization should be promptly rectified or readjusted or supplemented. Each year an overall evaluation of their operations should be conducted, penalties and rewards issued as required in a system of strict rewards and punishments that can stimulate people's will and give impetus to getting twice the return for half the effort from activity.

In addition, we should use the principles of centralized planning, centralized policies and working together with regard to the outside world to take a firmer grip on cooperation, the Ministry of Foreign Economic Relations and Trade having jurisdiction for running external labor service cooperative work and for the organization of all forces to create requisite conditions for engaging in external contracting activities.

2) On the issue of good performance in providing technical service and labor service for export. Good performance in this regard requires our attention to the following particulars: First, before signing labor service contracts outside the country, the necessary investigation and study must be done in advance. This is particularly true for industrial projects when different trades are involved, there is a proliferation of individual projects, and requirements for technical equipment and the amount of labor differ. Furthermore, for some projects, the designations for kinds of labor required by the other party may be fairly general. Unless on-site verification is done, the wrong people may be sent to do the job. Thus, only by clarifying the



other party's requirements will it be possible to send people from the right trades, with the right specialties and proper skills and the level of competence. Second, proper selection of personnel for dispatch outside the country and assuring quality of personnel has a bearing on ability to carry out the terms of contracts with foreign countries and is crucial to the completion of tasks, the building of a reputation, and the opening up of opportunities. In doing the work of selection and evaluation, policies must be strictly carried out. It is necessary to have a full understanding of the special skills of the personnel departing the country, and to be on the alert for unhealthy tendencies such as using pull or underhanded methods. Third is the need to pay attention to the signing of contract provisions. Signed contracts are a most important basic document for foreign traders because contracts set forth fairly explicitly the rights and duties of each party and have the force of law. In the past, as a result of a not very strong concept of legal systems on our part, signed contracts were not accorded the serious attention they merited and China sustained substantial losses. For example, a contract that a certain Chinese company signed with Iraq was signed while Iran and Iraq were at war. Nevertheless, there were no provisions in the contract for wounds, injuries, deaths or for individual or collective losses of property resulting from the war, nor were there any war risk regulations. Consequently, China assumed very great risks. In another case, in a joint contract, Iraq was to pay all expenses, but should it default, there were no provisions for penalties. Things of this kind must be watched in the future in order to avoid needless losses.

3) Improving the submission of international tenders. Submission of tenders is the method most commonly used in the international contracting market. Tenders require very specialized knowledge. They both have to be scientifically analyzed and studied, and a knowledge of the local business situation is necessary as well. It is not difficult to imagine how difficult it might be to bid successfully for a tender amidst the rivalries that exist when several hundred international contractors assemble in one place. China's successful bid rate in the international contracting market has been very low in the past, and the reasons have been analyzed as follows: First, all of China's contracting companies lacked experts with an understanding of international submission of tenders and contracting; they were not very well informed about the techniques for calling for bids and they had no idea at all about quoted prices in the submission of tenders. Second, they did not adhere very closely to preparation times. In the international market, the period between the issuance of documents calling for tenders to the handing over of documents submitting tenders is known as the preparatory period. This period varies in length depending on the size and complexity of contracts. The World Bank requires that for all project for which it provides financial assistance, the preparatory period for the submission of tenders is generally at least 45 days. If large amount of civil engineering is involved, the preparatory period is 90 days so that bidders will have ample time to conduct on-site investigations. Since China has numerous links and levels to go through and slowness in liaison among them, time was wasted in drawn out procedures, and by the time a final decision was reached, sometimes not enough time remained to translate the tender documents and their attachments much less to do a conscientious job of digesting the content of the tender documents. Third, China has been involved with the outside world for only a relative short time.

As a result some of the personnel concerned do not understand customary procedures used in the submission of tenders in foreign countries such as a set of basic skills for publicity and social intercourse. In particular, when the bids submitted by several contractors at the same time are pretty much the same, customary ways of doing things are frequently decisive in whose bid succeeds and whose does not. In short, China's contracting companies encountered many difficulties in the submission of competitive international bids, and some of the lessons of experience are worth learning. In the future, we should adhere to four basic principles in this regard, namely urgency during the preparatory period, doing painstaking and full preparatory work before submitting bids, a reliable basis for the quoted price in the submission of bids, and proper application of customary practices in general use internationally to pave the way for China's entry into the international contracting market, thereby increasing steadily the scale of projects for which China gets the contracts.

9432

CSO: 4006/104



## POPULATION

### DECLINING FERTILITY PROVES FAMILY PLANNING SUCCESS

Beijing RENKOU YANJIU [POPULATION RESEARCH] in Chinese Vol 1, 29 Jan 86 pp 17-20

[Article by Yang Zihui [2799 1311 1979] of the Demography Research Center, Chinese Academy of the Social Sciences: "Considering the Achievements of Family Planning from the Standpoint of the Overall Fertility and Birth Order Rates"]

[Text] The data on the overall fertility and the number of children women have had gathered from the 1/1,000th sample survey of the fertility of the Chinese population not only reflects the stages in the development of the fertility of Chinese women but also the great achievements of family planning in our country. This article attempts to make a rough analysis of this achievement.

#### I. Changes in Overall Fertility

Overall fertility in demography is a very important index of the reproduction of a population. Overall fertility in any given period is very closely tied to the socioeconomic situation, population policy, etc.

Very marked changes have occurred in the overall fertility of Chinese women since the founding of new China. An analysis of the overall trend of development can take 1970 as the watershed: the period between 1950 and 1970 can be called the period of "oscillating at a high level" while the period from 1971 to 1981 can be called the period of "rapid and steady decline" (see Figure 1 and Table 1).

Figure 1. Overall Fertility Curves 1950-1981

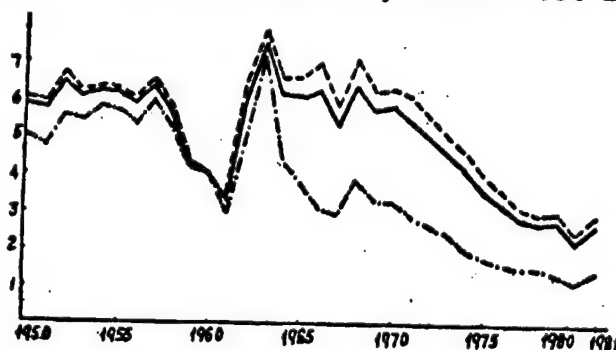


Table 1. Changes in the Overall Fertility of Chinese Women 1950-1981

Year	Overall Fertility	Urban	Rural	Year	Overall Fertility	Urban	Rural
1950	5.813	5.001	5.963	1966	6.259	3.104	6.958
1951	5.699	4.719	5.904	1967	5.313	2.905	5.847
1952	6.472	5.521	6.667	1968	6.448	3.872	7.025
1953	6.049	5.402	6.183	1969	5.723	3.299	6.363
1954	6.278	5.723	6.390	1970	5.812	3.267	6.379
1955	6.261	5.665	6.391	1971	5.442	2.882	6.011
1956	5.854	5.333	5.974	1972	4.984	2.637	5.503
1957	6.405	5.943	6.504	1973	4.539	2.387	5.008
1958	5.679	5.252	5.775	1974	4.170	1.982	4.642
1959	4.303	4.172	4.323	1975	3.571	1.782	3.951
1960	4.015	4.057	3.996	1976	3.235	1.608	3.582
1961	3.287	2.982	3.349	1977	2.844	1.574	3.116
1962	6.023	4.789	6.303	1978	2.716	1.551	2.968
1963	7.502	6.207	7.784	1979	2.745	1.373	3.045
1964	6.176	4.395	6.567	1980	2.238	1.147	2.480
1965	6.076	3.749	6.597	1981	2.631	1.390	2.910

Source: RENKOU YU JINGJI [POPULATION AND ECONOMICS] Special Issue (1983)  
p 46 of edited materials.

A. The Period of Oscillating at a High Level: This period lasted 21 years and can be roughly divided into three stages:

The first stage, from 1950 through 1958, lasted 9 years and had an average annual overall fertility rate of 6.057; the difference between the high in 1952 and the low in 1958 was just 0.793. From the figure we can see that the curve showing changes in fertility has a basically stable high and broad shape with small peaks in 1952 and 1957. During this first stage, our country had 3 years of reconstruction and had already begun its large-scale economic construction and the standard of living improved noticeably. Demographic growth also entered a peak period as the birth rate remained above 37 per thousand for 5 straight years from 1950 through 1954. Although propaganda and popularization of birth control and planning of the birth of children was proposed in the mid 1950's for the densely populated areas outside the national minority regions, due to a variety of reasons these proposals were not carried out thoroughly and family planning pilot projects were carried out in just a few big cities. Fertility was not controlled in the country as a whole. Thus, during the first stage fertility was high and relatively stable.

The second stage, from 1959 through 1963, lasted 5 years. As can be seen from the table, the overall birth rate declined and then rose sharply in the largest oscillation since the founding of the country. From 1959 through 1961 were 3 years of sharp decline with an overall annual fertility of 3.868, 2.189 less than the annual average in the first stage. The lowest point, at 3.287 in 1961, was 2.392 lower than the lowest point of the first stage, 5.679 in 1958, making for a relatively large decline. In 1962 and 1963 the overall fertility rose rapidly to over 6 reaching 7.502 in 1963, the peak since the founding of the country. The reason for this large oscillation in fertility is obvious. During the "great decline" the number of people born during that period of economic difficulty declined markedly and so overall fertility fell. The "great ascent" accompanies the improvement in the national economy and in the standard of living which brought with it a 2-year compensatory peak in births and so the overall fertility climbed back up. Thus these oscillations had no direct connection with family planning.

The third stage, from 1964 through 1970, lasted 7 years. During this stage the overall fertility once again approached the relatively high level of the first stage. Yet there are clear differences between the two stages. The first is that fertility in the third stage is not as stable as it was in the first but has instead a gradual downward tendency. The average annual fertility was 5.972 or 0.085 less than the 6.057 average fertility of the first stage. Fertility in the peak year of the third stage, 6.448 in 1968, was 0.024 less than in the peak year of the first stage, 6.472 in 1952. The third stage year with the lowest fertility, 1967 with 5.313, was 0.060 less than the first-stage year with the lowest fertility, 1958 with 5.253. This is because family planning, which had been discontinued in the latter half of the 1950's, came on the agenda once more in the early 1960's. Family planning was already beginning to develop in the big cities and in some villages. Although from 1966 on family planning suffered vigorous blows in the "Great Cultural Revolution" and a big oscillation in 1968 sent the overall fertility up to 6.448, because the people, and especially those with large families, wanted birth control, family planning never came to a complete halt.

Another point is that urban fertility declined faster than rural fertility. From Table 1 we see that after 1963 and the "great ascent," overall urban fertility declined 1.49 over 4 consecutive years from 4.395 in 1964 to 2.905 in 1967. However, overall rural fertility climbed from 6.567 in 1964 to 6.958 in 1966, a rise of 0.391, before declining to 5.847 in 1967. In 1968, both urban and rural overall fertility rose; however, a much lower increase in the city than in the countryside resulted in a difference between the two of 3.153. In 1969 and in 1970, overall urban fertility dropped to 3.299 and 3.267. Meanwhile overall rural fertility merely declined to 6.263 and 6.379, 1.9-fold and 1.95-fold the overall urban fertility. Family planning was better and was more effective in the city than in the countryside due to the better economic, cultural, educational and other conditions in the city.

B. The Period of Rapid and Steady Decline: During the 11 years from 1971 through 1981, overall fertility declined rapidly. Table 1 shows that during this period the average annual overall fertility had already declined to 3.566, 2.501 lower than during the period 1950-1958 and 2.406 lower than during

the period 1964-1970. From Figure 1, we can see that from 1971 to 1980 the decline makes a nearly straight line. In 1981, overall fertility increased by 0.393 over 1980 because after the promulgation of the new marriage law the age at marriage of several age cohorts declined and in addition some women who had married late gave birth for the first time. Thus, in 1981 the rate of women giving birth for the first time increased 0.293 to 1.162 over the 1980 rate of 0.869. Furthermore, once family planning was relaxed, the rate of women giving birth to their second child and the rate of women giving birth to their third or successive child also rose. However, 1981 had no long-term significance for the development of fertility and had little effect on the downward trend in fertility which again declined in 1982 and approached the replacement level.

Of all the reasons for the rapid and steady decline of fertility during the 1970's, excluding socioeconomic factors, the thorough and widespread practice of family planning throughout the entire country is the most important and the most direct. During this period there were many new and more important developments building on the foundation of the family planning of the 1960's. Population planning became part of national economic planning; every level of government from the county on down established special bureaus and assigned special cadres to the task of promoting late marriage, having children late, and the specific requirement of "One is best and at the most two." Birth control propaganda and education was carried out far and wide along with comprehensive birth control measures. Especially since the 3d Plenum of the 11th CPC Central Committee Congress, which made family planning part of the fundamental policy of the nation and incorporated it in the Chinese constitution, family planning has been vigorously implemented and much has been accomplished. Between 1979 and 1982 the average annual increase in the population declined to 13.44 per thousand.

C. There Have Been Marked Changes in the Distribution of Fertility During the Childbearing Years As Well (see Table 2).

From Table 2 we can see that the obvious change in the distribution of overall fertility in the childbearing years is that the proportion of the fertility in the cohorts from 15 to 19 years old and those cohorts over 30 years old are both declining. The proportion of overall fertility in the cohorts from 15 to 19 years old declined from 7.15 percent in the 1950's to 2.55 percent at the beginning of the 1980's while the proportion of overall fertility in the cohorts above 30 years of age declined from 46.12 percent in the 1950's to 22.85 percent at the beginning of the 1980's. This demonstrates that controlling the tendency to give birth early and to have several children is the key to the decline in overall fertility.

## II. Changes in the Birth Order Rate

Changes in the birth order rate are intimately correlated to changes in fertility and reflect another side of the success of family planning. By analyzing material on the "Distribution of Births to Mothers After their First Marriage by the Birth Order of the Infants" from the 1/1,000th sampling survey of the population we find that, since the 1970's births, Chinese women

Table 2. Distribution of Overall Fertility in the Childbearing Years

Year	Age			Cohort			
	15—	20—	25—	30—	35—	40—	45—
1950	7.5	22.7	22.3	19.4	16.7	9.8	1.6
1951	7.9	22.8	22.7	19.2	16.3	9.6	1.5
1952	8.0	22.8	22.9	20.1	15.8	9.1	1.4
1953	7.9	22.8	33.7	20.0	15.9	8.4	1.3
1954	7.9	22.8	33.7	20.0	15.9	8.4	1.3
1955	7.2	23.5	23.9	19.6	15.7	8.7	1.4
1956	6.7	23.0	24.4	20.3	15.7	8.6	1.3
1957	6.5	23.6	24.2	21.1	15.7	7.8	1.1
1958	6.6	23.1	23.9	21.1	16.0	8.2	1.1
1959	5.3	22.8	25.8	21.8	15.8	7.6	0.9
1960	5.0	23.0	25.5	21.0	17.0	7.7	0.8
1961	5.3	25.1	26.6	21.8	14.3	6.2	0.7
1962	4.8	23.9	26.9	22.3	15.4	5.9	0.8
1963	5.3	23.2	24.9	21.7	16.9	7.2	0.8
1964	5.7	23.9	25.0	21.1	15.6	7.8	0.9
1965	4.8	23.8	25.6	21.1	16.1	7.6	1.0
1966	4.5	23.9	25.7	21.1	16.4	7.5	0.9
1967	4.0	24.1	27.0	21.3	15.5	7.4	0.7
1968	4.1	23.8	26.8	21.8	15.4	7.3	0.8
1969	4.0	24.0	27.1	21.0	15.6	7.4	0.9
1970	3.9	24.4	26.9	21.3	15.4	7.2	0.9
1971	3.7	24.8	27.8	21.2	14.9	6.9	0.7
1972	3.2	24.5	28.6	21.4	14.8	6.8	0.7
1973	3.1	25.1	29.8	21.2	13.9	6.1	0.8
1974	2.9	26.3	31.1	20.5	12.6	5.9	0.7
1975	2.8	27.3	32.2	19.6	12.0	5.4	0.7
1976	2.5	27.7	35.0	18.3	10.9	5.0	0.6
1977	2.1	28.3	27.1	17.9	9.8	4.1	0.7
1978	2.3	28.1	39.4	17.6	8.2	3.7	0.7
1979	2.2	29.3	40.0	17.4	7.5	3.2	0.4
1980	2.2	31.7	42.4	14.4	6.1	2.5	0.7
1981	2.9	34.6	40.5	13.4	5.8	2.4	0.4

Source: RENKOU YU JINGJI Special Issue (1983) p 49 of edited materials

have changed from giving birth early, spacing births closely and having many children to giving birth late, spacing children widely and having few children (see Table 3). Below the two major pieces of evidence for this view are discussed.

Table 3. Change in the Birth Order Rate Between Years 1970, 1977 and 1981

Year	Total Births	Number	First-born Percent	Number	Second-born Percent	Number	Third-born and Later Children Percent
1970	29295	6073	20.73	4998	17.06	18224	62.21
1977	19997	6171	30.86	4918	24.59	8908	44.55
1981	21342	9938	46.57	5411	25.35	5993	28.08

A. The rate of first-born infants increased greatly, the rate of third or successive children declined steeply and the rate of second-born infants remained largely unchanged. We can see from Table 3 that the first-born-child rate rose from 20.73 percent in 1970 to 30.86 percent in 1977 and rose again to 46.57 percent in 1981. The 1981 level was 50.91 percent over the 1977 level and 124.86 percent over the 1970 level. While the first-born-child rate was rising rapidly the proportion of births of third or successive children among all births fell sharply from 62.21 percent in 1970 to 44.55 percent in 1977 and then again to 28.08 percent in 1981. The proportion of third or successive children among all births fell 58.65 percent between 1977 and 1981 and 121.55 percent between 1970 and 1981. Meanwhile there was a slight upward trend in the proportion of second-born children as a proportion of all births which climbed from 17.06 percent in 1970 to 24.59 percent in 1977 and then again to 25.35 percent in 1981.

These kinds of changes in the birth order rate over those 3 years show clearly that family planning has played an important role in controlling the rate at which second children are born and especially in eliminating the rate of third or successive births. As discussed above in the birth order structure of 1970, when the overall fertility rate was still in the period of "oscillating at a high level," births of third or successive children led in the proportion of all births. By 1981, the rate of births of first-born children replaced it in this dominant position and overall fertility declined accordingly.

B. There Were Also Great Changes in the Distribution of Births by Birth Order in the Years After Marriage (see Figures 2-1 and 2-2).

From Figure 2-1, we can see by comparing the 3 years that the proportion of women giving birth to their first child in the first 5 years after their marriage rose steadily from 94.29 percent in 1970 to 95.35 percent in 1977 and then again to 97.51 percent in 1981. The 1981 level was 3.42 percent

Figure 2-1. Fertility Distribution Curve for First-born Children in the First 5 Years After Marriage Using Data from Different Years

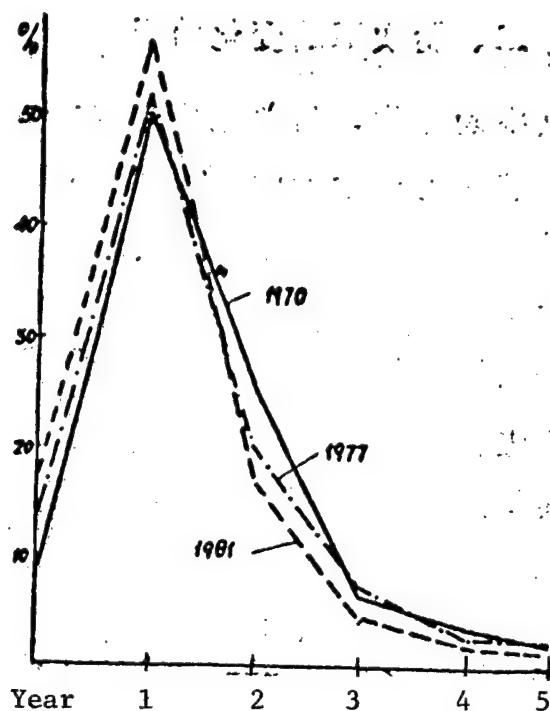
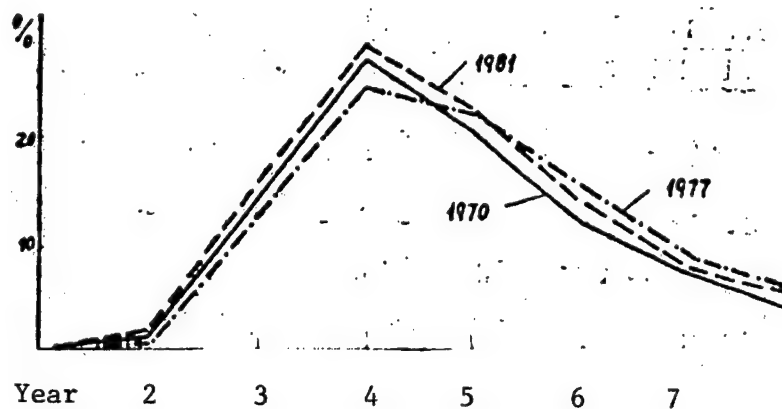


Figure 2-2. Fertility Distribution Curve for Second-born Children in the First 7 Years After Marriage Using Data from Three Different Years





higher than the 1970 level. The second year after marriage is the peak year for giving birth to first-born children. The peak value increased from 50.82 percent of all births of first-born children in 1970 to 51.53 percent in 1977 and again rising to 56.52 percent in 1981 for a 1970-to-1981 increase of 11.22 percent. Obviously strongly encouraging late marriage, giving birth late, and family planning made the period when first-born children are born even more concentrated than before. [All figures as published.]

From Figure 2-2, we can see that when women have their second child it is concentrated in the period extending from the third to the seventh year after their first marriage. Within this period the proportion of births in the fourth and fifth years after marriage is greatest and this trend is becoming more pronounced. In 1970, the proportion of second children born in the fourth or fifth year after marriage was 47.42 percent declining slightly to 46.48 percent in 1977 and then climbing to 49.92 percent in 1981. This trend toward increasing the spacing between the first and second births after marriage shows that there has already been a great change away from the traditional close spacing of births. This is an excellent result of promoting late marriage, giving birth late and having few children (that is having few children and having them late).

There has been no tendency toward concentration in the distribution of the births of third and later children. These births begin in the third year after marriage and there are some each year but their concentration in the first 5 years after marriage is very low.

From the above analysis of trends in overall fertility and in the birth order rate we can see:

A. From the 1970's on, overall fertility and the birth order rate have declined together. This great transformation has brought the fertility of Chinese women in just 32 short years from a high level down to the replacement level. There has been historic change in the intentions of women of reproductive age to have children and in their child bearing. Practice proves that the family planning encouraged and carried out by China and the general policies related to it have been extremely effective.

B. The changes in overall fertility and in the birth order are a necessary trend in socioeconomic development and are urgently desired by the people. Since the founding of the PRC, overall fertility in the cities and in the countryside have moved up and down together (in 1960 it was lower in the countryside than in the cities by 0.061 because the effect of natural disasters was worse in the countryside). This reflects to a certain extent the influence of socioeconomic factors on natality. However since economic, cultural, education, health, and other conditions are different, a gap between overall fertility in the countryside and in the city has always existed. Since 1965 this gap has widened. By 1981 overall fertility in the cities had already declined to 1.390 while in the countryside it remained high at 2.910 for a difference of 1.52. In 1981, the overall fertility for third-born children was 0.403 for fourth-born children 0.236 and for fifth or later children 0.366. Thus, rural rates were 16.8-, 33.7- and 366-fold urban rates.\* This

gap tells us that if we are to succeed at controlling the population at the 1.2 trillion level by the year 2000 we must continue to stress family planning in the countryside.

\* RENKOU YU JINGJI, Special Issue (1983) p 55.

12369/8918

CSO: 4006/784

TAIWAN

# TAIWAN TO STRENGTHEN ECONOMIC TIES WITH HONG KONG

HK040959 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS SUPPLEMENT)  
in English 4 Apr 86 p 3

[Article by Paul Sham]

[Text] Taiwan is to make strong efforts to develop closer economic ties with Hong Kong, according to a senior official of the Taiwan Ministry of Economic Affairs.

John Ni, director-general of the ministry's Industrial Development and Investment Center, said there were benefits to both sides in improved cooperation and he urged Hong Kong firms to grasp the opportunities.

Taiwan, with its stronger industrial infrastructure, could serve as a manufacturing base of high-technology products for Hong Kong, while the latter was better placed to meet Taiwan's needs in trade and finance.

Hong Kong could also provide Taiwan with a beachhead from which to seek closer economic ties with European countries, a number of whose companies have set up offices in the territory, he said.

Mr Ni left Hong Kong early this week after an eight-day fact-finding trip to boost investment in Taiwan. He is now in Thailand and will be going on to visit seven European countries.

To improve contacts with Hong Kong enterprises, three Taiwan-linked organizations in the territory are to have their role expanded, he said. These are the Free China Review, Hua Kwang Travel Service, and Kowloon Chamber of Commerce.

Free China Review, which mainly performs public relations work and has frequent contact with both the local and foreign press, unofficially represents Taiwan's Government Information Office.

Hua Kwang, set up in 1984, is the equivalent in Kowloon of Chinese Overseas Travel and Transport Service in Hong Kong, which is the unofficial agent of Taiwan's Overseas Chinese Affairs Commission [OCAC]. Both are mainly concerned with handling applications for entry and exit permits on behalf of OCAC.

Kowloon Chamber of Commerce is a trade association which consists of members with strong economic ties with Taiwan.

Mr Ni said that together, the three bodies--spread through the territory--would supplement what until now have been the lone efforts of the Hong Kong Investment Liaison Office, an unofficial arm of his own organization.

The liaison office's director, Richard Tsing, is also director of the Far East Trade Service, and the local representative of China Data Processing Center, China Productivity Center, and the Government Tourism Bureau.

Mr Ni said two or three people from each of the three other organizations would take turns to receive about three-weeks' training at his center in Taiwan.

Investment information in the form of pamphlets, magazines, books, and video tapes and films will also be available at the four offices and small-scale exhibitions will be held, he said.

Although declining to disclose the promotional budget, he said it would be "increased a lot" in comparison with previous years.

He added that "not much" of last year's overseas promotion budget of US\$2.2 million had been spent in Hong Kong.

"The size of the spending will depend on the progress (of attracting investment)," he said, adding that money was not a major issue in the light of the huge foreign exchange reserves registered by Taiwan last year.

In addition, Mr Ni said, attempts would be made to encourage investment companies and accounting firms to set up branches in Taiwan itself, which would provide a more direct means of bringing in foreign funds.

He pointed to the successful experience of American and European financial management companies which had already made the move.

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TAIWAN

#### FIRST QUARTER FOREIGN TRADE FIGURES REPORTED

OW101055 Taipei CNA in English 0936 GMT 10 Apr 86

[Text] Taipei, April 10 (CNA)--The nation's two-way trade in the first quarter this year totaled US\$ 13.7 billion, increasing by US\$1.66 billion or 13.9 percent compared with the level in the previous year, the government reported yesterday.

The total transactions in the January-March period registered a surplus of US\$3.04 billion, against US\$2.12 billion in 1985, according to tabulations released by the Directorate General of Budget, Accounting and Statistics.

The official figures showed that exports in the like months were valued at US\$8.37 billion, representing a boost of US\$1.29 billion or 18.3 percent over the level a year earlier.

Imports in the same period amounted to US\$5.33 billion, rising by US\$373.2 million or 7.5 percent, the official statistics indicated.

In March alone, the total foreign trade volumes were worth US\$4.94 billion, up US\$822.5 million or 19.9 percent from the values recorded last year.

The trade dealings in March saw a surplus of US\$1.02 billion.

Exports in the month hit US\$2.98 billion, up US\$746 million or 33.3 percent from March of 1985, while imports reached US\$1.96 billion, up US\$76.5 million or 4.1 percent.

In terms of trade exports structure for the three-month period, exports of industrial products amounted to US\$7.87 billion, accounting for 93.9 percent of the total exports, and increasing by US\$1.20 billion or 18 percent from the previous level.

Agricultural products were listed at US\$391.6 million, occupying 4.7 percent of the entire exported volumes, and showing a rise of US\$92.9 million or 31.1 percent.

As far as imports structure was concerned, raw materials accounted for US\$3.56 billion, representing 66.8 percent of the total imports, and up US\$171.9 million or 5.1 percent compared with that in the corresponding period a year ago.

The United States, which is the largest trading partner and buyer of the Republic of China, imported Taiwan-manufactured goods worth US\$4.02 billion in the first quarter. The amount recorded a boost of US\$715.8 million or 21.7 percent from the level in 1985.

U.S. exports to this country topped US\$1.24 billion, down US\$48.8 million or 3.8 percent. The bilateral U.S.-ROC trade yielded an excess of US\$2.75 billion in favor of the ROC.

Exports to Japan in the same period hit US\$926.5 million, against imports from Japan at US\$1.52 billion. The amount of the nation's exports showed an increase of US\$154 million or 19.9 percent, as imports soared by US\$190.6 million or 14.2 percent.

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TAIWAN

BRIEFS

NUCLEAR GENERATOR TO RESUME OPERATION--Taipei, April 10 (CNA)--The No 1 generator of the third nuclear power plant in southern Taiwan, which suffered much damage in a fire last July, will resume commercial operation in May, an official with the Ministry of Economic Affairs [MOEA] said Thursday. MOEA will ask Taiwan Power Company [TAIPOWER] to discuss responsibility for the accident with General Electric Co. [G.E.] of the United States, designer and builder of the power plant, after the generator is repaired and becomes operational again, the official, who asked not to be named, said. The accident has caused TAIPOWER a loss of NT [New Taiwan] dlrs 11 million (U.S. dlrs 275,000) daily in fuel cost in addition to the large sum of the cost to repair the damaged equipment. The repair cost so far has not been made public. The official said Taiwan has entrusted several lawyers to prepare necessary documents for future negotiation with G.E. on the issue, and TAIPOWER will explain the truth clearly to the general public after the issue is completely settled. [Text] [Taipei CNA in English 0231 GMT 11 Apr 86] /9871

TRADE WITH SPAIN--Madrid, April 10 (CNA)--The two-way trade between Spain and the Republic of China jumped from U.S.\$99 million in 1984 to U.S.\$117 million last year, registering an almost 20-percent increase, according to Spanish statistics. These figures also showed that Spain suffered a big deficit in its trade with Taiwan. The Spanish official statistics showed that in 1985, Spain's imports from Taiwan totalled U.S.\$78 million (U.S.\$64.7 million in 1984), while its export to Taiwan was U.S.\$39 million (U.S.\$34.7 million in 1984). However, official figures of the Republic of China showed that it was Taiwan which suffered a deficit in its trade with Spain last year. Figures published by the Euro-Asian Trade Organization of the Republic of China showed that Taiwan's imports from Spain were U.S.\$66 million, and exports to Spain, U.S.\$50 million in 1985. So far, nobody can explain well how there is such a big difference between the figures of the two parts in regard to their trade. [Text] [Taipei CNA in English 0252 GMT 11 Apr 86 OW] /9871

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